**As filed with the Securities and Exchange Commission on November 12, 2020.**

**Registration No. 333-**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM S-1

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

# Hydrofarm Holdings Group, Inc.

(Exact name of registrant as specified in its charter)

| **Delaware** | **5191** | **81-4895761** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**2249 South McDowell Boulevard Ext.**
**Petaluma, California 94954**
**(707) 765-9990**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Cogency Global Inc.**
**850 New Burton Road, Suite 201**
**Dover, Delaware 19904**
**(800) 483-1140**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Copies to:**

**Kenneth R. Koch, Esq.**
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**Tel: (212) 935-3000**

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**Davis Polk & Wardwell LLP**
**450 Lexington Avenue**
**New York, New York 10017**
**Tel: (212) 450-4000**

**Approximate date of commencement of proposed sale to the public:**
**As soon as practicable after this registration statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ |
| | Emerging growth company ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price[(1)(2)] | Amount of Registration Fee |
|---|---|---|
| Common stock, par value $0.0001 per share | $100,000,000 | $10,910 |

(1) Estimated solely for purpose of calculating the registration fee according to Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").

(2) Includes shares of common stock issuable upon exercise of the underwriters' option to purchase additional shares of common stock.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 2020

**Preliminary Prospectus**

# Hydrofarm Holdings Group, Inc.

## Shares of Common stock

This is an initial public offering of common stock of Hydrofarm Holdings Group, Inc.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $ . We have applied to list our common stock on the Nasdaq Global Market under the symbol "HYFM."

We will be treated as an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, for certain purposes until we complete this offering. As such, in this prospectus we have taken advantage of certain reduced disclosure obligations that apply to emerging growth companies.

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**Investing in our common stock is highly speculative and involves a high degree of risk. See "*Risk Factors*" beginning on page 22 to read about factors you should consider before buying shares of our common stock.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of the disclosures in this prospectus. Any representation to the contrary is a criminal offense.**

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| | Per Share | Total |
|---|---|---|
| Initial public offering price | $ | $ |
| Underwriting discounts and commissions[(1)] | $ | $ |
| Proceeds, before expenses, to Hydrofarm Holdings Group, Inc. | $ | $ |

(1) See the section titled "Underwriting" for a description of the compensation payable to the underwriters.

We have granted the underwriter an option for a period of 30 days from the date of this prospectus to purchase up to an additional shares of our common stock to cover over-allotments, if any.

The underwriters expect to deliver the shares against payment in New York, New York, on or about , 2020.

**J.P. Morgan** **Stifel**

**Deutsche Bank Securities** **Truist Securities** **William Blair**

The date of this prospectus is , 2020


HYDROFARM


Heavy Duty
ACTIVE AIR
Floor | Pedestal | Wall Mount
PHANTOM
STRONG · VERSATILE · RELIABLE
GROW!T
COMMERCIAL GROWING MEDIA
CLASSIC GROWING MEDIA
P-HEAT
autopilot
Environmental Controllers
OPTIMAL GROWING CONDITIONS
NOW AVAILABLE!
PHOTOBIO
Introducing the All-New
PHOTOBIO•MX
LED Light Fixture
XTRASUN
GREAT FEATURES... GREAT VALUE!
digilux
HIGH OUTPUT DIGITAL BULBS
QUANTUM Horticulture
Take a quantum leap with Quantum Horticulture products.
Get Your OXY CLONE Clone On
JUMP START
Start your plants off right!
The Future is Looking Brite
agrobrite


HYDROFARM

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**Through and including , 2020 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.**

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission (the "SEC"). You should not assume that the information contained in this prospectus is accurate on any date subsequent to the date set forth on the front cover of this prospectus even though this prospectus is delivered or shares of common stock are sold or otherwise disposed of on a later date. It is important for you to read and consider all information contained in this prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you under "*Where You Can Find More Information*" in this prospectus.

Neither we nor any of the underwriters have authorized anyone to give any information or to make any representation to you other than those contained in this prospectus. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of our shares of common stock other than the shares of our common stock covered hereby, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions.

### Emerging Growth Company

We are an emerging growth company, as defined under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Subject to certain conditions set forth in the JOBS Act, if, as an "emerging growth company," we choose to rely on such exemptions we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's reporting providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO's compensation to median employee compensation.

We could remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than $1.07 billion in non-convertible debt during the preceding three-year period.

## Presentation of Financial Information

Pursuant to the applicable provisions of the Fixing America's Surface Transportation Act, we are omitting our financial statements for periods prior to the year ended December 31, 2018.

## Industry and Market Data

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

## Trademarks

Our primary trademarks include "Hydrofarm", "PHANTOM BALLAST", "ACTIVEAQUA", "ACTIVE AIR" and "PhotoBio" and all of which are registered in the United States with the U.S. Patent and Trademark Office.

Dear Prospective Shareholders,

As a veteran of the consumer packaged goods ("CPG") industry, I have had the privilege of leading many great companies through transformative periods. Harnessing the power of brands, delivering innovative solutions and achieving supply chain excellence are core principles I have followed over the past 30 plus years. In my experience, these principles were always key to driving superior long-term growth, profitability and shareholder value.

When I joined Hydrofarm in 2019, it was clear that the Company already had world-class brands and a 40-year reputation as a trusted partner in what has been, until the last decade, a cottage industry. Since its inception, Hydrofarm has been at the forefront of bringing together a complex supply chain ecosystem to serve the specialized needs of its customers. Yet today, in many ways, I see that Hydrofarm is just getting started. The right playbook will unlock opportunities to move the Company into a new phase of growth. I took the opportunity to invest my time and resources in Hydrofarm and am deeply proud to have joined the Company on its journey towards realizing its potential.

What got me so excited? Hydrofarm sits at the intersection of two of the most compelling market opportunities of our time: the consumer-led movement towards the legalization of cannabis in the U.S. and its legalization in Canada, and a revolution in controlled environment agriculture ("CEA"). I believe the first of these will result in the formation of the most substantial new consumer category we have seen in a generation. The second is a key pillar for re-engineering the global agricultural supply chain to focus on local, high-quality, equitable and sustainable farming practices through continued innovation in agricultural technologies. Hydroponics is squarely at the core of both.

CEA empowers farmers to operate more efficiently and sustainably. CEA requires less land and less water, and substantially eliminates chemical run-off. The result is superior crop yields with reduced levels of carbon emissions, water usage and environmental impact, while providing for significant optimization throughout the value chain. Sustainability is at the heart of what we do and why I believe Hydrofarm is an exciting growth opportunity for investors, and in particular, those focused on environmental, social and governance factors. From indoor production of medical-grade cannabis, to innovative vertical farming techniques in densely populated areas, entrepreneurial farmers are just beginning to explore the vast global potential of CEA, and we anticipate that the global CEA market will grow to $100 billion or more over the next several years.

Cannabis in North America is also at an exciting juncture. The majority of American citizens now support having legal access to medical and/or adult-use cannabis. Legislative momentum has hit an inflection point in 2020, driven by evolving popular opinion and substantial budget shortfalls at all levels of government resulting from the pandemic. With such change and progress underway, the North American cannabis industry is expected to approximately double over the next five years.

Our leadership team often refers to Hydrofarm as a "40 year-old start-up" — we are proud of both our strong heritage and our entrepreneurial culture focused on growth. To bring this to life, we have put in place the right team, comprised of both company veterans and new leaders with fresh perspectives. This team has developed a strategic framework to invest in our competitive strengths and capture the massive opportunity that stands ahead of us. We are in the early innings of this growth plan and are highly energized by the significant progress we've made to date. Our leadership team's broad experience with highly successful CPG and other consumer-facing businesses helped shape our strategic priorities — we believe there is significant opportunity to bring these CPG best practices to this fragmented, rapidly growing industry:

1. **Build trusted brands**: Gold standard brands in CPG bring with them a trusted promise of great product quality and consistency. In hydroponics, growers must carefully control all key environmental variables or risk jeopardizing both yield and product quality. When growers find an approach that delivers quality results, they become strong brand loyalists and even advocates. Brands matter in this category, and we need to continue to strategically invest in ours.

2. **Drive innovation**: We believe hydroponics is in its early stages, and there remains tremendous opportunity for innovation. Entrepreneurs around the globe are driving game-changing innovations that are delivering meaningful environmental and financial returns. We are investing in product innovation within our leading proprietary brands and through working with our exclusive brand partners. The goal of our

innovation efforts is to provide customers with differentiated agricultural technologies and solutions that keep us at the leading edge of our industry.

3. **Deliver best-in-class service**: The core of our business is to provide best-in-class service to hydroponic retailers and growers. We can deliver to almost 90% of the U.S. population within 48 hours of receiving an order. Our retail partners are the backbone of what Hydrofarm has delivered for over 40 years. However, the growth of hydroponics and cannabis is giving birth to a second major customer segment: large-scale, professional multi-state operators. Hydrofarm has built a platform to serve the unique needs of both markets. We have built a dedicated team and a proprietary commercial solution that brings highly efficient supply chain management best practices into an otherwise unstructured and fragmented industry. Our distributor managed inventory platform draws parallels to CPG's vendor managed inventory system. This technology-enabled solution delivers improved inventory management and better pricing for end customers, while empowering our organization to increase throughput, deepen customer relationships and get early visibility into demand.

4. **Capitalize on fragmentation**: Across the value chain, the hydroponics industry remains highly fragmented. With a strong, well-capitalized balance sheet in place, we expect to be able to opportunistically add to our brand portfolio, expand our market share and further strengthen our competitive "moat". Our leadership team has extensive experience executing M&A, and we are eager to capitalize on our standing as the acquirer of choice in a fragmented industry.

Our mission is clear: bring innovative solutions, trusted brands and gold standard service to the rapidly expanding and complex CEA industry. To do that, we need to invest in our brands, optimize the supply chain and drive innovation while continuing to expand our operating platform and go-to-market model. I am very excited by what we have achieved with respect to these initiatives, but we are just getting started. I believe we will be successful in these efforts and hope you choose to join us on this exciting journey.

With gratitude,

**Bill Toler**
Chairman and Chief Executive Officer

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the notes thereto and the information set forth under the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus. Unless the context otherwise requires, we use the terms "Hydrofarm," the "Company," "we," "our," "us," or similar terms in this prospectus to refer to Hydrofarm Holdings Group, Inc. and, where appropriate, our consolidated subsidiaries.*

### Introduction

We are a leading independent distributor and manufacturer of controlled environment agriculture ("CEA", principally hydroponics) equipment and supplies, including a broad portfolio of our own innovative portfolio of proprietary branded products. We primarily serve the United States and Canadian markets, and believe we are one of the leading competitors by market share in these markets in an otherwise highly fragmented industry. For over 40 years, we have helped growers make growing easier and more productive. Our mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency and speed in their grow projects. For the trailing twelve months ended September 30, 2020, we had net sales of $308.5 million; from 2005 to 2019, we generated a net sales compound annual growth rate ("CAGR") of approximately 16%.

Hydroponics is the farming of plants using soilless growing media and often artificial lighting in a controlled indoor or greenhouse environment. Hydroponics is the primary category of CEA and we use the terms CEA and hydroponics interchangeably. Our products are used to grow, farm and cultivate cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, CO2, light intensity spectrum, nutrient concentration and pH. Through CEA, growers are able to be more efficient with physical space, water and resources, while enjoying year-round and more rapid grow cycles as well as more predictable and abundant grow yields, when compared to other traditional growing methods.

We reach commercial farmers and consumers through a broad and diversified network of over 2,000 wholesale customer accounts, who we connect with primarily through our proprietary eCommerce marketplace. Over 80% of our net sales are into the specialty hydroponic retailers, through which growers are able to enjoy specialized merchandise assortments and knowledgeable staff. We also distribute our products across the United States and Canada to a diversified range of retailers of commercial and home gardening equipment and supplies that include garden centers, hardware stores, eCommerce retailers, commercial greenhouse builders, and commercial resellers.

### How We Serve Our Customers

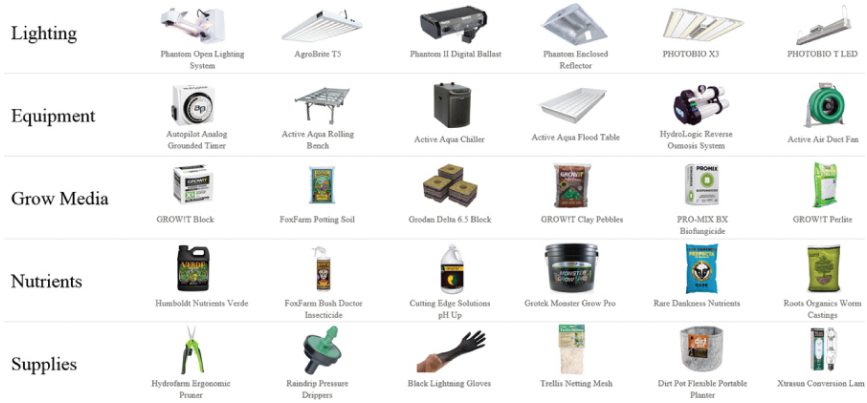
Our customer value proposition is centered around two pillars. First, we strive to offer *the best selection* by being a branded provider of all CEA needs. Second, we seek to be *the gold standard in distribution and service,* leveraging our infrastructure and reach to provide customers with just-in-time ("JIT") delivery capabilities and exceptional service across the U.S. and Canada.

#### *Complete Range of Innovative CEA Products*

We offer thousands of innovative, branded CEA products that are supported by 24 patents and 60 registered trademarks. Our product offerings span lighting solutions, growing media (i.e., premium soils and soil alternatives), nutrients, equipment and supplies and includes more than 6,000 stock-keeping-units ("SKUs") sold under leading proprietary, exclusive/preferred brands or non-exclusive/distributed brands. Some of our most well-known brands include Phantom and Active Aqua as well as in-licensed brands such as FoxFarm and Grodan. We estimate that approximately two-thirds of our net sales relate to recurring consumable products, including growing media, nutrients and supplies that require regular replenishment. The remaining portion of our sales relate to durable products such as hydroponic lighting and equipment. The majority of products we offer are produced by us or are supplied to us under exclusive/preferred brand

relationships providing for attractive margins and a significant competitive advantage as we offer retailers and resellers a breadth of products that cannot be purchased elsewhere.

The following graphic illustrates a representative set of our market-leading products across key CEA product categories:

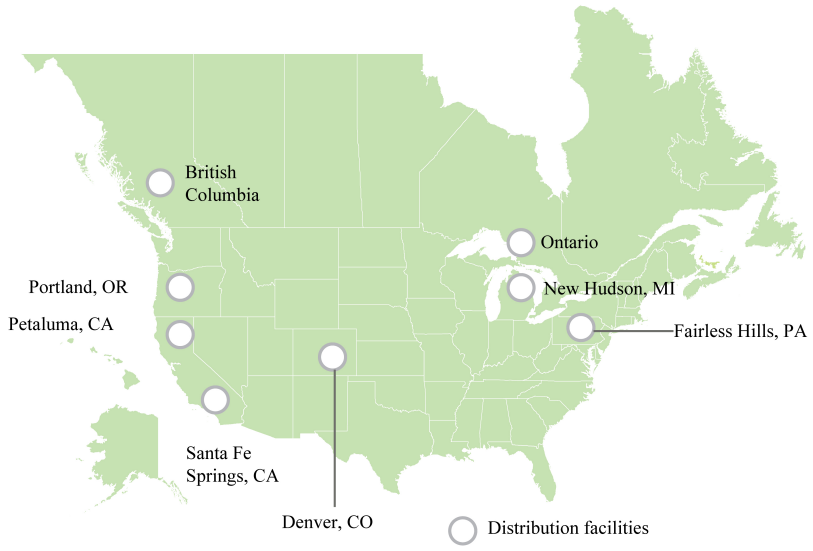



***Infrastructure and Reach for Fast Delivery, High In-Stock Availability and Exceptional Service***

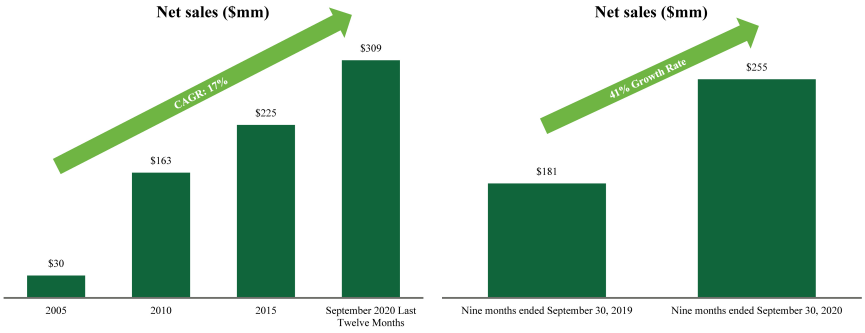
Our infrastructure and reach enable us to provide delivery and service capabilities to a highly diverse group of customers across the U.S. and Canada. We believe that our six U.S.-based distribution centers can reach approximately 90% of the U.S. population within 24 to 48 hours and that our two Canadian distribution centers can provide timely coverage to the full Canadian market.

In the U.S., we operate distribution centers in Petaluma, California; Santa Fe Springs, California; Portland, Oregon; Denver, Colorado; Fairless Hills, Pennsylvania; and New Hudson, Michigan. In Canada, we have distribution centers in Langley, British Columbia and Cambridge, Ontario. Outside of North America, we operate a distribution center in Zaragoza, Spain, and we have an office for product quality assurance and supply chain management in Shenzhen, China. We partner with a network of third-party logistics companies that facilitate expeditious delivery to our customers across the globe. The majority of customer orders are received through our business-to-business e-commerce platform. Through our differentiated Distributor Managed Inventory ("DMI") Program, we partner with our network of retailers and resellers to create customized, JIT supply chain solutions for large commercial end users.

The following illustration provides an overview of our operating footprint.




Over the past fifteen years, we have grown our net sales at an approximate 17% CAGR. This historical growth is largely due to the growth in CEA growing across several end-markets, including cannabis, and our ability to continuously develop, manufacture and distribute innovative branded products on timely basis.




We believe our industry is poised to grow significantly. Expanding populations, limited natural resources and a focus on the environment and the security of our agricultural systems have illuminated the benefits of CEA compared to traditional outdoor agriculture. We believe the adoption of CEA will continue to accelerate, particularly in the commercial agriculture industry, where CEA can be deployed to achieve grows that are simultaneously more efficient for the planet and profitable for growers. Furthermore, certain of our end-markets are experiencing significant growth, including cannabis. The global cannabis industry is a rapidly developing business opportunity for us, particularly as the legal market in the United States continues to expand.

To support this significant growth opportunity and to improve our profit margin profile, we recruited a new Chairman and Chief Executive Officer, William (“Bill”) Toler, in early 2019. In turn, over the past 18 months, Mr. Toler recruited over five new executives and quickly put in place several management initiatives intended to support growth and improve our profit margins. These initiatives include, but are not limited to,

further developments of proprietary brands, freight cost management and distribution network optimization, and the expansion of our commercial segment and DMI.

Given our strong historical net sales growth, the accelerating growth in our primary end-markets, and the strength of our new management team, we believe that we are well positioned for significant and sustained net sales and earnings growth.

**Our Industry is Large and Rapidly Growing**

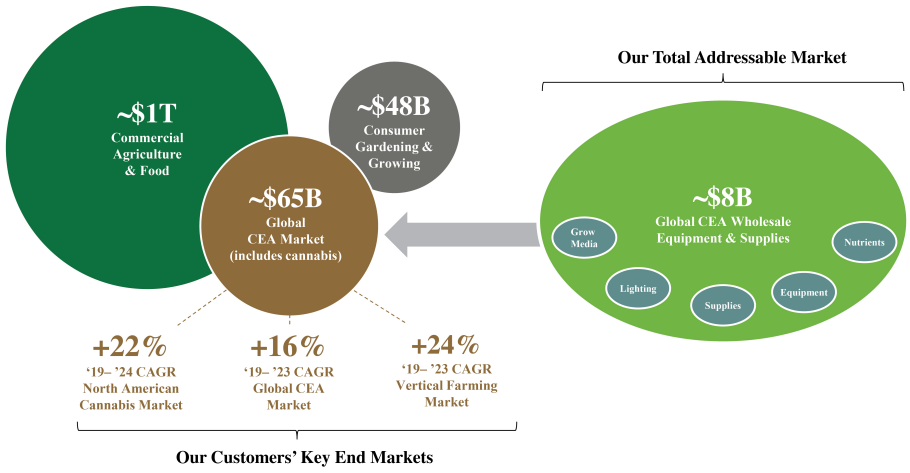
The Expanding Controlled Environment Agriculture Market

Our principal industry opportunity is in the wholesale distribution of CEA equipment and supplies, which generally include grow light systems; advanced heating, ventilation, and air conditioning ("HVAC") systems; humidity and carbon dioxide monitors and controllers; water pumps, heaters, chillers, and filters; nutrient and fertilizer delivery systems; and various growing media typically made from soil, rock wool or coconut fiber, among others. Today, we believe that a majority of our products are sold for use in CEA applications.

*Pictured: PHOTOBIO LED Light, Active Aqua Grow Flow 5 gal system, Active Aqua Flexible Air Stone, OxyCLONE 20 Site System with Timer and Light Kit, Active Air CO2 System with Timer*

CEA is an increasingly significant and fast-growing component of the expansive global commercial agriculture and consumer gardening sectors. According to the USDA and National Gardening Survey, the agriculture, food, and related industries sector produced more than $1 trillion worth of goods in the U.S. alone in 2017, and U.S. households spent a record of approximately $48 billion at retail stores on gardening and growing supplies and equipment.

According to industry publications, the global CEA industry totaled approximately $65 billion in 2019, and is expected to grow at a CAGR of 16% from 2019 to 2023. The rapid growth of CEA crop output will subsequently drive growth in the wholesale CEA equipment and supplies industry. According to industry publications, the global wholesale CEA equipment and supplies industry totaled approximately $8 billion in 2019 and is expected to grow at a CAGR of 12.8% from 2019 to 2025.



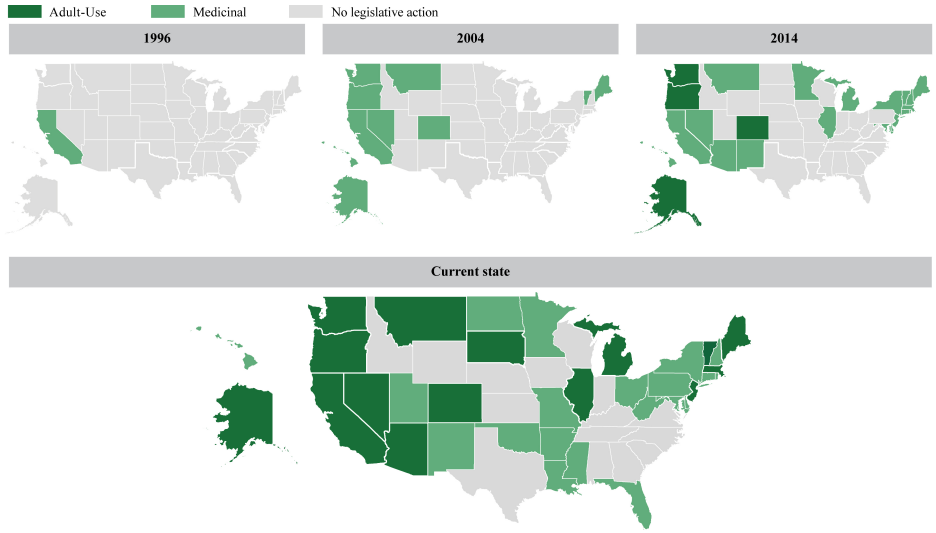
Powerful Trends are Driving Significant Industry Growth

We believe that the growth in the wholesale distribution of CEA equipment and supplies is driven by a broad array of factors including:

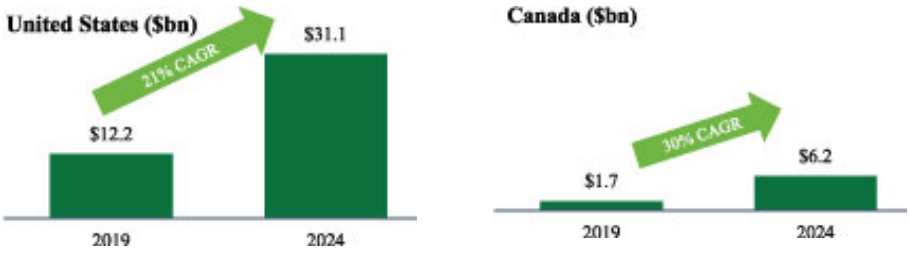
***Significant Growth in the Cannabis Industry***

Today, we believe that a majority of the CEA equipment and supplies we sell to our customers is ultimately purchased by participants in the cannabis industry, though we do not sell to participants in the cannabis industry directly. The North American cannabis industry is massive and growing rapidly, driven largely by state-level legalization efforts in the U.S. and federal-level legalization in Canada. The current and expected growth in the size of the cannabis market has and will continue to have a very significant, positive impact on our business.

The following map illustrates the state-level progression of cannabis legalization in the U.S., differentiating states that have fully legalized cannabis for medical and adult-use purposes and states that have partially legalized cannabis for medical purposes only. Importantly, though Canada and several U.S. states have taken significant steps towards cannabis legalization, we believe the North American legal cannabis market is still in the nascent stages of realizing its growth potential. As of the date of this prospectus, only 15 U.S. states and the District of Columbia had legalized cannabis for adult-use. The aggregate population of those states is only around one third of the total U.S. population. Furthermore, in U.S. states that have passed cannabis laws, many such laws remain restrictive to consumer access. As an example, we believe significant suppressed demand would be unlocked in Texas, should the state adopt a medical cannabis law that more closely resembles that of their neighboring state, Oklahoma, where we have seen significant growth since cannabis was legalized for medical use in 2018. In Canada, the governments of every province and territory have enacted laws allowing for the distribution and sale of cannabis for adult-use purposes; however the market remains in early stages of market development.



According to industry publications, the U.S. cannabis market is projected to reach approximately $31.1 billion by 2024, up from approximately $12.2 billion in 2019, representing a 21% CAGR. In Canada, the cannabis market is projected to reach approximately $6.2 billion by 2024, up from approximately $1.7 billion in 2019, representing a 30% CAGR. The following chart illustrates the forecasted growth of the cannabis industry in the United States and Canada:




This significant growth in the U.S. cannabis market is expected due to (i) state initiatives for new adult-use and/or medical-use programs in additional U.S. states, (ii) expanded access for patients or consumers in existing state medical or adult-use cannabis programs, and (iii) increased consumption driven by greater product diversity and choice, reduced stigma, and real and perceived health benefits in states with existing adult-use or medical use programs.

- **State initiatives for new adult-use or medical-use programs.** We believe support for cannabis legalization in the U.S. is gaining momentum. According to a November 2019 poll by Pew Research Center, public support for the legalization of cannabis in the U.S. increased from approximately 41% in 2010 to approximately 67% in 2019.[1] According to a 2019 poll by Quinnipiac University, 93% of Americans support patient access to medical-use cannabis if recommended by a doctor. Furthermore, due to the recent socio-economic changes across the U.S. since early 2020, many state government budgets are increasingly under pressure to identify additional revenue sources, such as the potential revenue streams from the taxation and job creation that state legalized adult-use cannabis may offer. Accordingly, a number of states are at various stages of considering implementing laws permitting cannabis use or further liberalizing their existing laws permitting such use. Our sales per capita in U.S. states with legalized adult-use programs are on average several multiples higher than our sales per capita in states without adult-use programs. We believe this fact points to the significant opportunity available to us if or when additional U.S. states legalize adult-use programs.
- **Expanded access for patients and consumers in existing state medical and adult-use programs.** The cannabis business in states with existing cannabis laws is in nascent stages in many cases and will continue to grow, creating jobs and opportunities for workers and entrepreneurs. Cultivators, manufacturers, dispensaries, delivery providers, labs and other cannabis-related businesses will continue to grow in these regions. As these businesses proliferate, consumers will benefit from easier access to cannabis products.
- **Greater product diversity and choice, reduced stigma and real and perceived health benefits in states with existing adult-use or medical use programs.** Several key developments have contributed to an increase in cannabis product availability and breadth, including the proliferation of CBD and other cannabis-infused products, including edibles, oils, tinctures, and topical treatments. We believe that the historical stigmatization of cannabis use has diminished significantly, driven by a more supportive legislative environment, a rise in progressive sociopolitical views and greater consumer awareness of the potential health benefits of cannabis consumption. According to industry publications, real and perceived health benefits extend into areas including cancer treatment, pain management, the treatment of neurological and mental conditions, and sleep management. According to industry publications, the use of cannabis

[1] Daniller, Andrew. "Two-thirds of Americans Support Marijuana Legalization." *Pew Research Center,* Washington, D.C. (Nov. 14, 2019).

in the U.S. by adults aged 65+ has increased sharply in recent years from 0.4% in 2006 and 2.9% in 2015 to 4.2% in 2018 (JAMA Internal Medicine).[2]

***Acceleration of CEA Adoption***

Both the commercial agriculture and cannabis industries are increasingly adopting more advanced agricultural technologies in order to enhance the productivity and efficiency of operations. The benefits of CEA include:

- Greater product safety, quality and consistency;
- More reliable, climate-agnostic year-round crop supply from multiple, faster harvests per year as opposed to a single, large harvests with outdoor cultivation;
- Lower risk of crop loss from pests (and subsequently lower need for pesticides) and plant disease;
- Lower required water and pesticide use compared to conventional farming, offering incremental benefits in the form of reduced chemical runoff and lower labor requirements; and
- Potentially lower operating expenses from resource-saving technologies such as high-efficiency LED lights, precision nutrient and water systems and automation.

CEA implementation continues to increase globally, driven by the factors listed above as well as growth in fruit and vegetable farming, consumer gardening and the continued adoption of vertical farming. Vertical farming, a subsector of CEA, has gained popularity mainly due to its unique advantage of maximizing yield by growing crops in layers. Industry publications project that the global vertical farming market will reach approximately $6 billion in 2023, up from $3 billion in 2019 and representing a 24% CAGR from 2019 to 2023.[3]

While a small portion of cannabis cultivation may be grown in non-CEA settings, given the multitude of benefits of CEA cultivation, we believe CEA will continue to be the primary method of growing cannabis, driving demand for our products. The movement towards the legalization of cannabis in the U.S. and its legalization in Canada also comes with a corresponding increase in regulatory oversight and statutory requirements for growers and their products. These regulations enhance product safety and transparency to consumers but usually necessitate the use of CEA in cannabis cultivation in order to meet mandated THC content or impurity tolerances.

***Increased Consumer Home Growing***

We perceive consumer gardening to be a significant driver of future CEA growth. According to the National Gardening Survey, in 2017, 77% of U.S. households participated in lawn and garden activities, spending on average a record of $503 per household. We expect this growth in consumer gardening and growing spending to continue, driven by both increased participation by millennials and strong continued participation by married households, adults over age 55, and adults without children. We believe that these demographic dynamics will result in an increase in the number of consumer gardening category participants, resulting in the purchase of more CEA products.

***Strong Demand for Hemp for CBD Production***

Hemp cultivation in North America has grown significantly since the passage of the U.S. Farm Bill in December 2018. Consumers are increasingly using hemp-derived products such as CBD for their therapeutic benefits. According to industry publications, the U.S. hemp-derived CBD market is expected to grow from $1.2 billion in 2019 to $6.9 billion in 2025, representing a six-year CAGR of 33.8%. We have experienced strong demand for our products from growers that solely harvest hemp and from cannabis growers who are adding hemp to their offerings. We are very well positioned to continue to capitalize on the growth of industrial

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[2] Reproduced with permission from *JAMA Intern Med.* 2020. 180(4):609-611. Copyright © 2020 American Medical Association. All rights reserved.

[3] Sinnarkar, Makarand. *Allied Market Research Reports.* "Green Technology and Sustainability Market is Expected to Reach $44.61 Billion by 2026." (Feb. 2020).

hemp cultivation in North America especially as cultivation is increasingly done indoors. Both our current product portfolio and our pipeline of new products tailored to the needs of hemp cultivators will help us serve this burgeoning market.

***Increased Focus on Environmental, Social, and Governance ("ESG") Issues***

We believe the growth and change in our end-markets is in part driven by a variety of ESG trends aimed at preserving resources and enhancing the transparency and safety of our food supply chains. Overall, CEA delivers superior performance characteristics versus traditional agriculture when compared on select key ESG performance criteria:

- **More efficient land usage.** CEA allows for greater crop production per square foot, reducing the amount of land needed to grow crops. Certain types of vertical farming are 20 times more productive than traditional farming per acre.
- **More efficient fresh water usage.** CEA allows for the management and recycling of water inside of a closed-loop system and therefore generally require less water than traditional outdoor agriculture. In certain instances, CEA can grow plants with up to 98% less water than soil based agriculture.
- **Decreased use of fertilizer and pesticides.** As CEA takes place in a controlled, often indoor environments, the need for pesticides application is reduced, allowing growers to apply less pesticide with more precise application compared to traditional outdoor agriculture.
- **Reduced carbon emissions.** CEA, especially vertical farming, allows large farming operations to be located significantly closer to end-users, thereby reducing the transportation distance of ready-to-use crops.
- **Reduced food waste.** Similar to the above, since CEA allows for food production significantly closer to end-user, there is less time between production and consumption and therefore reduced product spoilage, damage and waste.
- **Chemical runoff prevention.** Due to closed-loop nature of CEA systems, CEA significantly decreases the risk of chemical runoff, which is generally more difficult to control in traditional outdoor agriculture.
- **Supports organic farming.** CEA is well suited for organic farming, the produce of which has been in increasing demand by consumers.

***COVID-19***

The COVID-19 ("COVID-19") pandemic has caused significant shifts in consumer sentiment and behavior thereby altering the dynamics of the CEA industry. Its effect on the cannabis industry may also drive a greater volume of sales by our customers, increasing demand for our CEA equipment and supplies. We believe that these changes, as outlined below, will benefit our industry in the long-term:

- **New entrants into the consumer gardening and growing market.** We believe that a meaningful portion of consumer gardening and growing product spending following the COVID-19 outbreak was driven by first-time users. We expect this to be a tailwind for the consumer gardening and growing market going forward as a portion of these consumers opt to work-from-home more.
- **Increased focus on food security and sustainable sourcing.** The COVID-19 pandemic has intensified consumer focus on food security and transparency of food production around the world. CEA offers a more sustainable and secure alternative to traditional outdoor agriculture, allowing food to be grown closer to where it is ultimately consumed, thereby reducing supply chain-related risks and food waste.
- **Pressure on governments to identify additional revenue streams, such as tax revenue from state legalized cannabis industries.** The COVID-19 pandemic has put a significant strain on government budgets, increasing pressure to find revenue from previously unexplored streams including state legalized medicinal or adult-use cannabis.

- **Home-centric lifestyle increasing use occasion opportunities for cannabis use.** The COVID-19 pandemic is expected to foster a long-term increase in at-home activity. This lifestyle shift may foster growth in the cannabis market by increasing potential occasions for cannabis use as cannabis is often consumed at home.
- **Essential service designation.** During lockdowns related to the COVID-19 pandemic, our manufacturing and distribution operations and a great majority of our key suppliers, retailers and resellers were designated as essential and remained open. This sets a key precedent about the vital importance of our operations and end-markets.

**Our Competitive Strengths**

We attribute our success to the following competitive strengths.

***Leading Market Positions in Attractive Growing Markets***

We are a leading independent distributor and manufacturer of CEA equipment and supplies in the U.S. and Canada and one of the two major consolidators in the CEA industry. The broader market is comprised of a fragmented group of smaller competitors. We serve several attractive end-markets, including hemp and indirectly, the cannabis industry. Favorable trends in CEA, including increased adoption of vertical farming methods to increase yields, are projected to drive a 24% CAGR for the vertical farming market through 2023 according to industry publications. Similarly, growers' increasing preference to reduce water and energy usage, limit pesticide use and risk of environmental runoff, and reduce labor costs coupled with growing consumer demand for fruits and vegetables are expected to drive significant growth in CEA methods. Furthermore, CEA allows farms to be located closer to their consumers, greatly reducing the costs and waste (namely $CO_2$ and spoiled food) related to transportation resulting in an overall smaller carbon footprint. However, we will likely see the most significant growth in cannabis. Increased support for cannabis legalization at the federal level in the U.S., an increase in U.S. states' implementation of adult-use and medical cannabis programs, continued growth in the Canadian cannabis market following the implementation of the Cannabis Act in 2018, and consumer and commercial awareness of the benefits associated with hemp-derived products will serve as significantly favorable tailwinds that will drive continued growth.

***New, Experienced Management Team with Proven Track Record***

Our management team possesses significant public market experience, a history of driving long-term organic growth and a track record of successful business consolidations. Bill Toler, Chairman and Chief Executive Officer, has over 35 years of executive leadership experience in supply chain and consumer packaged goods, most recently serving as President and Chief Executive Officer of Hostess Brands from April 2014 to March 2018. Under his leadership, Hostess Brands transitioned from a private to public company, regained a leading market position within the sweet baked goods category and returned to profitability. Bill also previously served as Chief Executive Officer of AdvancePierre Foods and President of Pinnacle Foods, in addition to holding executive roles at Campbell Soup Company, Nabisco and Procter & Gamble. Terence Fitch, President, possesses significant relevant business experience including more than 20 years of management experience with the Coca-Cola Company and Coke Enterprises, where he was responsible for manufacturing, supply chain, and sales and marketing for the multi-billion-dollar Refreshment Direct and Independent Bottlers business units. For the past six years, Terence has been working on building, managing and designing large CEA operations in Colorado and Arkansas. B. John Lindeman, Chief Financial Officer brings us more than 25 years of finance and leadership experience. Most recently he served as Chief Financial Officer and Corporate Secretary at Calavo Growers, Inc. (Nasdaq-GS: CVGW), a fresh food company, where he was responsible for the finance, accounting, IT and human resource functions. Prior to joining Calavo, he held various leadership positions within the finance and investment banking industries at Janney Montgomery Scott, Stifel Nicolaus, Legg Mason and PricewaterhouseCoopers LLP.

***Broad Portfolio with Innovative Proprietary Offerings and Recurring Consumables Sales***

We have one of the largest equipment and consumable product offerings in the industry. From lighting solutions to nutrients to grow mediums, we offer nearly everything growers need to ensure their operations are

maximizing efficiency, output and quality. We maintain an extensive portfolio of products which includes 26 internally developed, proprietary brands across approximately 900 SKUs with 24 patents and 60 registered trademarks as well as over 40 exclusive/preferred brands across approximately 900 SKUs. We maintain inventory across over 6,000 SKUs, and approximately 60% of our sales relate to proprietary and exclusive/preferred brands. Our proprietary and exclusive/preferred brands include lighting, equipment, grow media, nutrients and supplements. Our proprietary products command a significant gross margin premium relative to general distributed brands. Our revenue mix continues to shift towards proprietary brands as we continue to innovate, improving overall margins. Further, our revenue stream is highly consistent as, in our estimation, we believe that approximately two-thirds of our net sales are generated from the sale of recurring consumable products including growing media, nutrients and supplies. Our top 20 customers buy over 3,000 SKUs in the aggregate.

***Proprietary Sourcing and Supplier Relationships Create Barriers to Entry***

Our scale presents a significant barrier to entry as we have developed exclusive distribution relationships, proprietary brands and a geographic footprint that enables us to efficiently service customers across North America. We maintain approximately 900,000 square feet of distribution space across six distribution centers in the U.S. and two distribution centers in Canada. Furthermore, we have cultivated over the last 40 years long-term relationships with a network of approximately 400 suppliers, giving us access to a best-in-class products portfolio and allowing us to provide a full range of CEA solutions to our customers. We source individual components from our diverse supplier base to assemble our products, including utilizing a dedicated on-the-ground purchasing team in China to maintain and develop relationships with suppliers. To maintain competitive pricing, we implement cost sharing with certain of our suppliers. No single supplier makes up more than 9% of our total supplier costs.

***Unique Ability to Serve Our Strong Customer Base***

We maintain long-standing relationships with a diversified range of leading hydroponic retailers, retailers of commercial and home gardening equipment and supplies that include garden centers, hardware stores, eCommerce retailers, commercial greenhouse builders, and commercial resellers. We serve over 2,000 business-to-business customers across multiple channels in North America, providing customers with the capability to purchase their entire product range from us. Our commercial sales and DMI programs further enhance our customer capabilities, offering consultation, technical expertise, facilitated order fulfillment and JIT delivery of consumables. Our unique distribution capabilities allow us to provide JIT delivery across North America, utilizing six strategically located distribution centers in the U.S. and our two distribution centers in Canada. Our distribution footprint in the U.S. can reach approximately 90% of the population in 24 to 48 hours and our two distribution centers in British Colombia and Ontario can provide timely coverage to the fully Canadian market. We maintain coverage of industry trends and consumer preferences via thirteen sales managers complemented by teams made up of specialized product category experts. Given our ability to provide a comprehensive product offering and excellent customer service, we maintain over seven-year relationships with the majority of our largest customers.

***Proven Mergers and Acquisitions ("M&A") Track Record***

Our management team has extensive experience with execution and integration of M&A opportunities. In November 2017, we acquired Eddi's Wholesale Garden Supplies, Ltd. ("Eddi's") and the distribution division of Greenstar Plant Products, Inc. ("GSD"), which we believe were two of the leading CEA and lawn and garden distributors in Canada at the time of the acquisitions. Those acquisitions, combined with our existing infrastructure and experience, have enabled us to become one of the leading CEA equipment distributors in Canada. Additionally, we maintain relationships throughout our markets to identify specific product categories of interest for M&A activity. Our robust understanding of commercial growers' needs coupled with our experienced M&A team has prepared us to make additional acquisitions in the hydroponics industry, which will help us to continue to grow our market share. We view M&A as a significant driver of potential growth as the hydroponics industry is fragmented and primed for consolidation.

**Our Growth and Productivity Strategies**

We are well positioned to capitalize on the growth of our underlying markets through the following strategies.

***Capitalizing on Rapidly Growing Markets***

Our customers benefit from macroeconomic factors driving the growth of CEA, including expanded adoption of CEA and vertical farming by commercial growers and consumers, as well as the growth in cannabis, hemp and other end-markets. As the world population grows and urbanizes, vertical farming is increasingly being used to meet the demand for food crops. Industry publications estimate that the global vertical farming market will expand at a 24% CAGR from 2019 to 2023. In addition, the U.S. and Canadian cannabis markets had an estimated value of approximately $14 billion in 2019, and are projected to grow to $37 billion by 2024. The hemp market has benefited from consumer adoption of hemp-derived CBD products. According to industry publications, the U.S. hemp-derived CBD market is expected to grow from $1.2 billion in 2019 to $6.9 billion in 2025, representing a six-year CAGR of 33.8%. We expect to capitalize on favorable cannabis and hemp growth trends by continuing to expand our operations globally.

***Expanding our Proprietary Product Offering***

We are expanding the breadth of our product assortment through continued development of our own proprietary brands. Our proprietary brands command a meaningful gross margin premium to our distributed products. Our core competency in new product innovation is in lighting, consumable and equipment categories, and we are enhancing research and development in our other product categories to expand our brand portfolio's value and further enhance our margins. We have launched several new product lines over the past year, including PhotoBio LED lighting equipment and Phantom Core HID lighting equipment. We also maintain a pipeline of next generation proprietary products and occasionally make investments in suppliers to create strategic relationships around the development of specific products and enhanced distribution agreements.

***Adding Strategic Distribution Relationships and Exclusive/Preferred Brands***

We can increase revenue with significant cross-selling activity to our current installed customer base by offering a more comprehensive assortment of products required by commercial growers to engage in cultivation. We have identified key suppliers with product solutions that are well established in the grower community for exclusive/preferred brand relationships. Exclusive/preferred brand relationships with leading brands drive sales and margin improvement. We believe we are a highly attractive distribution partner due to our scale and independence in growing media and nutrient categories. We have established sixteen new exclusive/preferred distribution relationships over the past two years including with established equipment and nutrient suppliers.

***Enabling Wholesaler Network to Effectively Serve Commercial Growers***

Working with our wholesale network, we are leveraging our sophisticated technical sales team to provide our wholesale network the ability to address the needs, demanding requirements and higher volume of their larger-scale commercial customers. Establishing these relationships with our channel provides us with insight and access to growers' evolving demands, leading to both increased equipment sales and recurring sales of consumables through our wholesale network. Our commercial grower outreach program, our analytically driven supply chain function and DMI capabilities enable our wholesaler network to anticipate customer demand for products and ensure their availability. The goal of these efforts is to maintain long-term relationships with our wholesalers by helping them be successful in providing cultivation square footage savings and access to JIT inventory to their customer base. We believe this can result in profitability for our wholesalers' customers on consumables and equipment. We also believe that increasing the value to our wholesale network will allow us to grow within key accounts and expand sales of our products and services to new accounts.

***Expand our Operating Margins***

We have developed and begun to implement specific productivity initiatives across our business as a means of funding growth. Our initiatives include the following:

- **Enhance Our Brand Mix.** We will continue to increase the percentage of proprietary and exclusive/preferred brands in our product portfolio. Our innovative proprietary and exclusive/preferred brands offer us a significant margin benefit compared to distributed brands.

- **Drive Supply Chain Efficiencies.** We are implementing multiple supply chain efficiency initiatives, including the review of our carrier sourcing relationships and intra-warehouse shipments for optimization opportunities, reducing the active SKU count by eliminating non-core SKUs, and the deployment enhanced inventory planning tools. For example, we have reduced our SKU count from 5,400 in 2019 to 3,700 in 2020. Additionally, we continually review our distribution network for optimization opportunities, and in doing so consolidated two warehouses to one in 2019.
- **Optimize the Customer Investment Program.** We have segmented our client accounts to improve our discounting decisions in order to maximize net sales as a percent of gross sales.
- **Leveraging G&A.** Additional areas of cost savings will come from more efficiently leveraging corporate overhead as our business continues to grow and scale.

***Acquiring Value-Enhancing Businesses***

The hydroponics industry is highly fragmented which we believe presents a significant opportunity for growth through M&A. Management is continually evaluating M&A targets and we believe, in this fragmented market, there will be continued opportunities for M&A. M&A provides us an opportunity to significantly increase distribution with independent brands and to add new products based on identified needs of commercial growers. We utilize clear investment criteria to make disciplined M&A decisions that will accelerate sales and EBITDA growth, increase competitive strength and market share and expand our proprietary brand portfolio.

**Risks Associated With Our Business**

Our business is subject to a number of risks and uncertainties that you should understand before making an investment decisions. Risks are discussed more fully in the section entitled "*Risk Factors*" of this prospectus. These risks include, but are not limited to, the following:

**Risks Relating to Our Indebtedness:**

- significant risks associated with our outstanding and future indebtedness of certain of our subsidiaries;
- restrictions imposed by our Loan Agreement and Encina Credit Facility on our ability to sell products directly to the cannabis industry; and
- we may not be entitled to forgiveness under the PPP Loan (as defined below) and our application for the PPP Loan could in the future be determined to be impermissible or could damage our reputation.

**Risks Relating to Third Parties:**

- we rely on a limited base of suppliers for certain products, which may result in disruptions to our business;
- if our suppliers are unable to source raw materials or the prices of raw materials increase, this may adversely affect our results of operations; and
- if our suppliers decide to sell directly into the retail market that we conduct our current or future business in, we may face increased competition.

**Risks Relating to the Cannabis Industry:**

- we are subject to a number of risks, directly and indirectly, because cannabis and cannabis-related activities are illegal under federal law;
- we may be indirectly subject to federal and state controlled substance laws and regulation due to our involvement in the cannabis industry;
- federal and state regulations pertaining to the use and cultivation of cannabis may adversely affect our business;
- new California regulations have caused licensing shortages and future regulations may create other limitations that decrease demand for our products;

- our products are subject to varying, inconsistent and rapidly changing laws;
- our indirect involvement in the cannabis industry could adversely affect our public reputation; and
- businesses involved in the cannabis industry are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes.

**Risks Relating to Other Regulations:**

- we may be restricted by certain state and other regulations pertaining to the use of certain ingredients in growing media and plant nutrients, including the use of pesticides; and
- we are subject to certain U.S., state and foreign laws and regulations regarding how we collect, store and process personal information.

**Risks Relating to Our Intellectual Property:**

- recent changes in laws make it difficult to predict how patents will be issued or enforced in our industry;
- we may not be able to adequately obtain, maintain, protect our enforce our intellectual property and other proprietary rights;
- we may need to rely on licenses to proprietary technologies from time to time, which could be difficult or expensive to obtain; and
- we may be subject to intellectual property infringement, misappropriation and other violation claims or claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

**Risks Relating to Our Capital Stock:**

- we may incur indebtedness or issue capital stock that ranks senior or equally to our common stock with certain liquidation preference and other rights, which may dilute our stockholders' ownership interest; and
- certain provisions in our corporate charter documents and in our current loan agreement and credit facility and under Delaware law could make an acquisition of our company more difficult and may prevent attempts by our stockholders to replace or remove current management.

**General Risk Factors**

**Risks Relating to Our Business:**

- competitive industry pressures;
- general economic and financial conditions, specifically in the United States and Canada;
- the adverse effects of public health epidemics, including the recent COVID-19 pandemic, on our business, results of operations and financial operations; and
- limitations and possible failures of our internal control systems.

**Recent Developments**

***Effects of Coronavirus on Our Business***

The World Health Organization recognized COVID-19 as a public health emergency of international concern on January 30, 2020 and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. The global pandemic and actions taken to contain COVID-19 have adversely affected the global economy and financial markets.

In response to the COVID-19 pandemic, we implemented business continuity plans designed to address the impact of the COVID-19 pandemic on our business, such as restrictions on non-essential business travel,

the institution of work-from-home practices and the implementation of strategies for workplace safety at our facilities. In March 2020, the majority of the employees at our headquarters transitioned to working remotely. For several weeks following the initial outbreak of COVID-19, we experienced a material impact to our supply chain that inhibited growth and results of operations. While we are not currently experiencing material adverse impacts to our supply chain, we intend to continue to source many products from China. It is difficult to predict the extent to which COVID-19 may continue to spread. As of the date of this prospectus, manufacturers in China are generally back in operation; however, a second wave of the COVID-19 pandemic could result in the re-closure of factories in China. Quarantine orders and travel restrictions within the U.S. and other countries may also adversely impact our supply chains, the manufacturing of our own products and our ability to obtain necessary materials. Consequently, we may be unable to obtain adequate inventory to fill purchase orders or manufacture our own products, which could adversely affect our business, results of operations and financial condition. Furthermore, potential suppliers or sources of materials may pass the increase in sourcing costs due to the COVID-19 pandemic to us through price increases, thereby impacting our potential future profit margins.

Our customers reside in countries, primarily the U.S. and Canada, that are currently affected by the COVID-19 pandemic. Many of these customers have experienced shelter-in-place measures in attempts to contain the spread of COVID-19, including general lockdowns, closure of schools and non-essential businesses, bans on gatherings and travel restrictions. Although we cannot precisely quantify in absolute or relative terms, our accelerated rate of growth in net sales for the six months ended September 30, 2020 correlates with shelter-in-place orders issued in many locations in March 2020 in response to the COVID-19 pandemic. Our sales growth for the six months ended September 30, 2020 was approximately 50% higher than the same period in 2019. A portion of our net sales during this period could be due to pull-through demand for our products due to higher consumption of CEA products from individuals spending more time at home due to shelter-in-place measures. Although uncertainty created by the COVID-19 pandemic remains, and various state budgets remain under economic pressure creating a greater chance of further cannabis legalization, we cannot assure you that such a rate of growth will continue.

Our business has remained resilient during the COVID-19 pandemic. As of September 30, 2020, our manufacturing and distribution operations are viewed as essential services and continue to operate. Our key suppliers, retailers and resellers have been designated as essential services and remain open at this time, however, in certain places they are operating under reduced hours and capacity limitations. The majority of U.S. and Canadian cannabis businesses have been designated as essential by U.S. State and Canadian government authorities.

The extent to which the COVID-19 pandemic will ultimately impact our business, results of operations, financial condition and cash flows depends on future developments that are highly uncertain, rapidly evolving and difficult to predict at this time. Depending on the length and severity of COVID-19, we may experience an increase or decrease in customer orders driven by volatility in consumer shopping and consumption behavior. While we are not experiencing material adverse impacts at this time, given the global economic slowdown, the overall disruption of global supply chains and distribution systems and the other risks and uncertainties associated with the COVID-19 pandemic, our business, financial condition, results of operations and growth prospects could be materially and adversely affected. While we believe that we are well positioned for the future as we navigate the crisis and prepare for an eventual return to a more normal operating environment, we continue to closely monitor the COVID-19 pandemic as we evolve our business continuity plans and response strategy.

***Recent Transactions***

*PPP Loan*

On April 7, 2020, we entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $3.3 million payable to JP Morgan Chase, N.A. (the "PPP Lender") evidencing a PPP loan from the SBA (the "PPP Loan"). The PPP Loan will bear interest at a rate of 1% per annum. No payments will be due on the PPP Loan during a ten month deferral period commencing on April 7, 2020. Commencing one month after the expiration of the deferral period, and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, we are obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the

principal amount outstanding on the PPP Loan by the maturity date. The maturity date is April 7, 2022. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of the PPP Lender to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon our request to the extent that PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll, rent, and utilities. The PPP Lender may forgive interest accrued on any principal if the SBA pays the interest. While we believe we have used the PPP Loan proceeds in a manner consistent with obtaining forgiveness, we intend to repay the PPP Loan in connection with the consummation of the offering contemplated hereby.

*Preferred Stock Offering*

On December 31, 2019, we entered into a securities purchase agreement with certain investors named therein, pursuant to which we issued and sold, in a private placement offering between December 2019 and February 2020, 7,725,045 shares of our Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), at an offering price of $3.50 (the "Preferred Stock Offering"). We received gross proceeds of approximately $27 million (which includes proceeds of approximately $8 million raised from the issuances of convertible unsecured subordinated promissory notes issued in September and October 2019 which converted into shares of our Series A Preferred Stock) in connection with the Preferred Stock Offering, before deducting fees and related offering expenses. Our Chief Executive Officer, Mr. Toler, purchased 1,428,572 shares of our Series A Preferred Stock. Upon the consummation of the offering contemplated hereby, the Series A Preferred Stock will automatically convert into shares of our common stock.

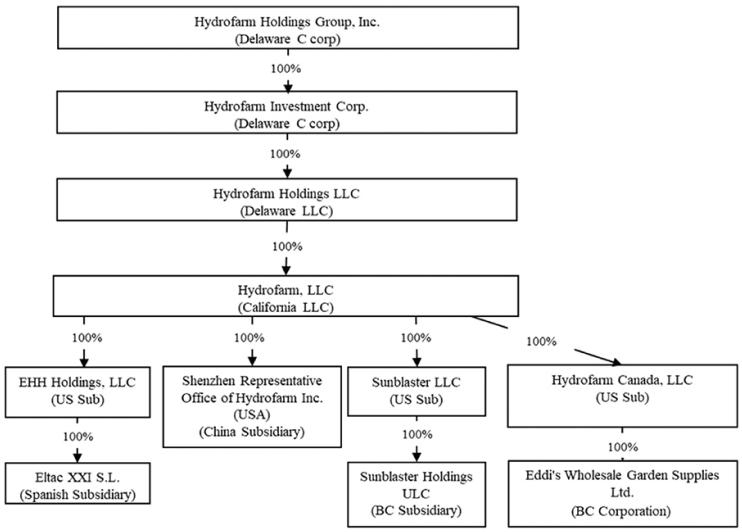
*Encina Refinancing*

In July 2019, certain of our subsidiaries (the "Subsidiary Obligors") entered into a Loan and Security Agreement with Encina Business Credit, LLC (as amended to date, the "Encina Credit Facility"). The Encina Credit Facility provides for revolving borrowings under an asset-based loan commitment of up to $45 million (inclusive of a limit of up to $15 million of borrowings for the Canadian subsidiaries party thereto and a swingline facility of up to $2.0 million), subject to applicable borrowing base availability. The Encina Credit Facility matures on July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement. The Encina Credit Facility is secured by a first-priority lien on all cash, accounts receivable and inventory of the Subsidiary Obligors and a second-lien priority lien on all other personal property of the Subsidiary Obligors. A portion of the proceeds borrowed under the Encina Credit Facility were used to pay in full the Loan and Security Agreement dated November 8, 2017, as amended from time to time, among Bank of America, N.A. and the obligors party thereto (the "BofA Credit Facility").

**Corporate Structure**

We have been in the business of indoor gardening since Hydrofarm, LLC, (originally, Applied Hydroponics, Inc.), one of our wholly-owned subsidiaries, was formed in the State of California on May 4, 1977. We conduct our business through our wholly-owned, direct and indirect subsidiaries. Hydrofarm

Holdings LLC is a shell entity and a subsidiary of Hydrofarm Holdings Group, Inc.; Hydrofarm Holdings LLC's subsidiary is Hydrofarm, LLC, our primary operating entity. The chart below depicts our current organizational structure:




**Corporate Information**

We were incorporated in Delaware in January 2017 under the name Innovation Acquisition One Corp. Our predecessor company, originally called Applied Hydroponics, Inc., was founded in 1977 in Northern California. We changed our name to Hydrofarm Holdings Group, Inc. on August 3, 2018 in connection with the Private Placement and Merger described in "*Business — History*" and "*Certain Relationships and Related Party Transactions — The Merger and Concurrent Offering*," respectively. Our principal executive offices are located at 2249 South McDowell Blvd Ext., Petaluma, California, 94954 (the "Petaluma HQ") and our telephone number is (707) 765-9990. Our website address is *www.hydrofarm.com*. The information contained on, or that can be accessed through, our website is not, and shall not be deemed to be part of, this prospectus. We have included our website address in this prospectus solely as an inactive textual reference. Investors should not rely on any such information in deciding whether to purchase our common stock.

**THE OFFERING**

| | |
|---|---|
| **Common stock offered by us** | shares of common stock. |
| **Option to purchase additional shares** | The underwriters have an option, exercisable within 30 days of the date of this prospectus, to purchase up to additional shares of our common stock. |
| **Common stock to be outstanding after this offering** | shares of common stock (or shares of common stock if the underwriters exercise in full their option to purchase additional shares of common stock). |
| **Use of Proceeds** | We estimate the net proceeds from this offering will be approximately $ million (or $ million if the underwriters exercise their option to purchase additional shares in full), assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We expect to use the proceeds from this offering to repay existing indebtedness, for acquisitions, for working capital and other general corporate purposes, which may include the hiring of additional personnel and capital expenditures. We intend to use the net proceeds from this offering to repay borrowings outstanding under the Term Loan Credit Agreement and to paydown and refinance our borrowings outstanding under the Encina Credit Facility. See "*Use of Proceeds*" and "*Description of Our Indebtedness*" for more information. |
| **Dividend Policy** | We have never declared nor paid cash dividends on our common stock. We currently intend to retain any future earnings for use in the operation and expansion of our business. We do not expect to pay any dividends to holders of our common stock in the foreseeable future. |
| **Risk Factors** | Investing in our common stock involves a high degree of risk. See "*Risk Factors*" beginning on page 22 of this prospectus for a discussion of certain factors to consider carefully before deciding to invest in our common stock. |
| **Directed Share Program** | At our request, the underwriters have reserved up to shares of our common stock, or % of the shares offered by this prospectus, for sale at the initial public offering price through a directed share program to our directors, officers and certain of our employees. The number of shares of our common stock available for sale to the general public will be reduced to the extent that such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. See "*Underwriting — Directed Share Program.*" |
| **Proposed Nasdaq Global Market symbol** | "HYFM" |

The number of shares of our common stock outstanding after this offering is based on shares of common stock outstanding as of September 30, 2020, including shares of common stock issuable upon conversion of the Series A Preferred Stock, which occurs automatically upon consummation of this offering, assuming a public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and excludes:

- 13,100,069 shares of common stock issuable upon exercise of outstanding warrants to purchase our common stock at a weighted average exercise price of $4.78 per share;
- 2,861,900 shares of common stock underlying options to purchase our common stock at a weighted average exercise price of $2.55 per share;
- 8,893,346 shares of common stock underlying restricted stock awards which have not yet vested;
- 7,700,000 shares of common stock reserved for future issuance under our 2020 Equity Incentive Plan;
- shares of common stock, which we have the option to issue for accrued dividends on the Series A Preferred Stock rather than paying in cash; and
- no exercise by the underwriters of their option to purchase up to an additional shares of our common stock from us.

In addition, unless we specifically state otherwise, the information in this prospectus assumes a 1-for- reverse stock split of our common stock to be effected prior to the completion of this offering.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary of consolidated financial and other data for the years ended December 31, 2019 and 2018, and the nine months ended September 30, 2020 and 2019. We have derived the following consolidated financial and other data for the years ended December 31, 2019 and 2018 from our audited consolidated financial statements and the notes thereto included elsewhere in this prospectus. We have derived the following consolidated financial and other data for the nine months ended September 30, 2020 and 2019 from our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus. Our historical results are not necessarily indicative of future results of operations and the results of operations for the nine months ended September 30, 2020 are not necessarily indicative of results for the full year. You should read the following financial information together with the information under "*Capitalization*," "*Selected Consolidated Financial and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the notes thereto, and our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus.

| | Nine months ended September 30, | | Years ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 |
| | (In thousands, except per share amounts) | | | |
| **Income statement data for period ended:** | | | | |
| Net sales | $254,763 | $181,338 | $235,111 | $211,813 |
| Gross profit | 47,624 | 21,576 | 27,086 | 24,070 |
| Selling, general and administrative | 37,084 | 30,759 | 43,784 | 42,229 |
| Impairment, restructuring and other[a] | 276 | 3,589 | 10,035 | 7,169 |
| Income (loss) from operations | 10,264 | (12,772) | (26,733) | (25,328) |
| Interest expense | 7,858 | 9,789 | 13,467 | 11,606 |
| Net income (loss)[b] | 2,125 | (22,372) | (40,083) | (32,892) |
| Net income (loss) attributable to common stockholders[b] | 135 | (22,372) | (40,083) | (32,892) |
| Net income (loss) per share attributable to common stockholders – diluted[c] | $ 0.00 | $ (0.32) | $ (0.57) | $ (0.69) |
| Net income (loss) per common share attributable to common stockholders on pro forma basis – diluted[d] | [ ] | n/a | [ ] | n/a |
| **Cash flows (used in) provided by:** | | | | |
| Operating activities | $ (7,777) | $ (11,520) | $ (13,302) | $ 4,437 |
| Investing activities | 1,328 | (3,572) | (3,818) | (3,312) |
| Financing activities | 6,408 | 4,663 | 19,900 | 25,516 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (2) | (8,082) | 4,934 | 25,717 |
| **Other data:** | | | | |
| Adjusted EBITDA[e] | $ 16,120 | $ (3,812) | $ (9,495) | $ (7,249) |
| Adjusted EBITDA as a percent of net sales[e] | 6.3% | -2.1% | -4.0% | -3.4% |
| Gross profit margin (gross profit as % of net sales) | 18.7% | 11.9% | 11.5% | 11.4% |
| Capital expenditures[f] | 700 | 541 | 768 | 1,343 |
| Federal net operating loss carryforwards | n/a | n/a | 58,000 | 35,000 |

| | As of September 30, 2020 | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|---|
| | | (In thousands) | |
| **Balance sheet data as of end of period:** | | | |
| Cash, cash equivalents and restricted cash | $ 32,855 | $ 32,857 | $ 27,923 |
| Working capital[(g)] | 52,126 | 40,547 | 56,728 |
| Total assets[(h)] | 218,571 | 185,651 | 174,411 |
| Long-term debt[(i)] | 111,826 | 107,932 | 100,520 |
| Total liabilities | 181,310 | 154,471 | 126,867 |
| Convertible preferred stock[(j)] | 27,584 | 21,802 | — |
| Convertible preferred stock on a pro forma basis[(k)] | [ ] | | |
| Stockholders' equity | 9,677 | 9,378 | 47,544 |
| Stockholders' equity on a pro forma basis[(k)] | [ ] | | |

(a) Impairment, restructuring and other expenses primarily relate to impairment on intangible assets; professional fees related to consultation, due diligence and assistance to research various capitalization strategies related to alternative debt and equity refinancing structures; severance costs; and, costs to early terminate several leases. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Impairment, restructuring and other.*"

(b) Net income (loss) and net income (loss) attributable to common stockholders for the year ended December 31, 2018 reflects a reduction from net loss for an allocation to a non-controlling interest. See our "*Consolidated statements of operations*" for the year ended December 31, 2018 in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(c) Net loss per share attributable to common stockholders for 2018 represents basic and diluted net loss per share attributable to common stockholders, and assumes the non-controlling interest converted to a controlling interest at issuance and accordingly, its share of the net loss and the shares into which it converted are included in the calculations; see Note 4, *Basis of preparation and significant accounting policies* in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(d) Net income (loss) per share attributable to common stockholders on a pro forma basis – diluted gives effect to the automatic conversion of all of our outstanding shares of Series A Preferred Stock into shares of common stock, which will occur automatically upon the consummation of this offering. For an explanation of the calculations of our pro forma diluted net income (loss) per share attributable to common stockholders, see Note 3, *Net income (loss) per common share ('EPS')* to our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus, and Note 4, *Basis of preparation and significant accounting policies*, under "*Net loss per common share (EPS)*" in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(e) For information regarding our use of adjusted EBITDA and its reconciliation to net income (loss) and adjusted EBITDA as a percent of net sales, see "*— Non-GAAP financial measures*" following this table.

(f) Capital expenditures relate to purchases of property, equipment and computer software.

(g) Working capital represents current assets less current liabilities.

(h) Total assets and total liabilities for 2020 and 2019 include operating lease right-of-use assets and lease liabilities, respectively, upon the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*, adopted as of January 1, 2019.

(i) Long-term debt represents current and long-term portions of interest bearing debt, net of issuance costs.

(j) Convertible preferred stock reflects the issuance of Series A Preferred Stock in late 2019 and early 2020. See "*Prospectus Summary — Recent Transactions — Preferred Stock Offering*" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(k) Convertible preferred stock on a pro forma basis and stockholders' equity on a pro forma basis as of September 30, 2020, give effect to the automatic conversion of all of our outstanding shares of Series A

Preferred Stock into shares of common stock which will occur automatically upon the consummation of this offering. For an explanation of the calculations, see Note 2, *Basis of presentation and significant accounting policies*, under "*Unaudited pro forma shareholders' equity*" to our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus.

**Non-GAAP financial measures**

We report our financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide investors of our financial information with additional useful information in evaluating our performance and that excluding certain items that may vary substantially in frequency and magnitude period-to-period from net income (loss) provides useful supplemental measures that assist in evaluating our ability to generate earnings and to more readily compare these metrics between past and future periods. These non-GAAP financial measures may be different than similarly titled measures used by other companies.

To supplement our audited consolidated financial statements which are prepared in accordance with GAAP, we use "Adjusted EBITDA" and "Adjusted EBITDA as a percent of sales" which are non-GAAP financial measures (collectively referred to as "Adjusted EBITDA"). Our non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are several limitations related to the use of our non-GAAP financial measures as compared to the closest comparable GAAP measures. Some of these limitations include:

- Adjusted EBITDA does not reflect the significant interest expense, or the amounts necessary to service interest or principal payments on our indebtedness;
- Adjusted EBITDA excludes depreciation and amortization, and although these are non-cash expenses, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA does not reflect our tax provision that adjusts cash available to us;
- Adjusted EBITDA excludes the non-cash component of share-based compensation; and
- Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters we consider not to be reflective, on a recurring basis, of our ongoing operations.

We define Adjusted EBITDA as net income (loss) excluding interest expense, income taxes, depreciation and amortization, share-based compensation and other unusual and/or infrequent costs, which we do not consider in our evaluation of ongoing operating performance.

The following table presents a reconciliation of net income (loss), the most comparable GAAP financial measure, to Adjusted EBITDA for each of the years ended December 31, 2019 and 2018 and each of the nine months ended September 30, 2020 and 2019:

| | Nine months ended September 30, | | Years ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 |
| | (Dollars in thousands) | | | |
| Net income (loss) | $ 2,125 | $(22,372) | $(40,083) | $(32,892) |
| Interest expense | 7,858 | 9,789 | 13,467 | 11,606 |
| Income tax expense (benefit) | 384 | (246) | (691) | (397) |
| Depreciation and amortization | 5,170 | 5,198 | 6,995 | 8,260 |
| Impairment, restructuring and other | 276 | 3,589 | 10,035 | 7,169 |
| Other income, net | (103) | (334) | (105) | (995) |
| Stock-based compensation | 410 | 173 | 208 | — |
| Loss on debt extinguishment | — | 391 | 679 | — |
| Adjusted EBITDA | $16,120 | $ (3,812) | $ (9,495) | $ (7,249) |
| Adjusted EBITDA as a percent of net sales | 6.3% | -2.1% | -4.0% | -3.4% |

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and notes thereto, before deciding whether to invest in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, operating results and prospects could be materially harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.*

### Risks Relating to Our Business

***Our proprietary brand offerings expose us to various risks.***

We expect to continue to grow our portfolio of proprietary brand offerings. We have invested in development and procurement resources and marketing efforts relating to these proprietary brand offerings. Although we believe that our proprietary brand products offer value to our customers at each price point and provide us with higher gross margins than comparable third-party branded products we sell, the expansion of our proprietary brand offerings also subjects us to certain specific risks in addition to those discussed elsewhere in this section, such as:

- potential mandatory or voluntary product recalls;
- our ability to successfully obtain, maintain, protect and enforce our intellectual property and proprietary rights (including defending against counterfeit, knock offs, grey-market, infringing or otherwise unauthorized goods); and
- our ability to successfully navigate and avoid claims related to the proprietary rights of third parties.

An increase in sales of our proprietary brands may also adversely affect our sales of our vendors' products, which may, in turn, adversely affect our relationship with our vendors. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

***Our competitors and potential competitors may develop products and technologies that are more effective or commercially attractive than our products.***

Our products compete against national and regional products and private label products produced by various suppliers, many of which are established companies that provide products that perform functions similar to our products. Our competitors may develop or market products that are more effective or commercially attractive than our current or future products. Some of our competitors have substantially greater financial, operational, marketing and technical resources than we do. Moreover, some of these competitors may offer a broader array of products and sell their products at prices lower than ours, and may have greater name recognition. In addition, if demand for our specialty indoor gardening supplies and products continues to grow, we may face competition from new entrants into our field. Due to this competition, there is no assurance that we will not encounter difficulties in generating or increasing revenues and capturing market share. In addition, increased competition may lead to reduced prices and/or margins for products we sell. We may not have the financial resources, relationships with key suppliers, technical expertise or marketing, distribution or support capabilities to compete successfully in the future.

***We may not successfully develop new products or improve existing products or maintain our effectiveness in reaching consumers through rapidly evolving communication vehicles.***

Our future success depends, in part, upon our ability to improve our existing products and to develop, manufacture and market new products to meet evolving consumer needs. We cannot be certain that we will be successful in developing, manufacturing and marketing new products or product innovations which satisfy consumer needs or achieve market acceptance, or that we will develop, manufacture and market new products or product innovations in a timely manner. If we fail to successfully develop, manufacture and market new products or product innovations, or if we fail to reach existing and potential consumers, our ability to maintain or grow our market share may be adversely affected, which in turn could materially adversely affect our

business, financial condition and results of operations. In addition, the development and introduction of new and products and product innovations require substantial research, development and marketing expenditures, which we may be unable to recoup if such new products or innovations do not achieve market acceptance.

Many of the products we distribute and market, such as our fertilizers and nutrients, contain ingredients that are subject to regulatory approval or registration with certain U.S. state regulators. The need to obtain such approval or registration could delay the launch of new products or product innovations that contain ingredients or otherwise prevent us from developing and manufacturing certain products and product innovations.

***Negative economic conditions, specifically in the United States and Canada, could adversely affect our business.***

Uncertain global economic conditions could adversely affect our business. Negative global economic trends, particularly in the United States and Canada, such as decreased consumer and business spending, high unemployment levels, reduced rates of home ownership and housing starts, high foreclosure rates and declining consumer and business confidence, pose challenges to our business and could result in declining revenues, profitability and cash flow. Although we continue to devote significant resources to support our brands, unfavorable economic conditions may negatively affect consumer demand for our products. Our most price-sensitive customers may trade down to lower priced products during challenging economic times or if current economic conditions worsen, while other customers may reduce discretionary spending during periods of economic uncertainty, which could reduce sales volumes of our products in favor of our competitors' products or result in a shift in our product mix from higher margin to lower margin products.

***The effects of the COVID-19 pandemic are unpredictable and may materially affect our customers and how we operate our business, and the duration and extent to which the pandemic continues (including any re-emergence of COVID-19) to threaten our future results of operations and overall financial performance remains uncertain.***

In December 2019, COVID-19 was identified. On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected businesses, economies and financial markets worldwide and has caused significant volatility in U.S. and international debt and equity markets.

Examples of how COVID-19 may impact our business, results of operations and stock price include, but are not limited to:

- COVID-19 may cause consumers to decrease spending, or pause such spending altogether, making it more difficult for us to acquire new customers, as well as retain and upsell existing customers;
- COVID-19 may interfere with our ability, or the ability of our employees, workers, contractors, suppliers and other business partners to perform our and their respective responsibilities and obligations relative to the conduct of our business. COVID-19 may also cause disruptions from the temporary closure of third-party suppliers and manufacturers, restrictions on the shipment of our products, restrictions on our employees' and other service providers' ability to travel, the decreased willingness or ability of our customers to travel or to utilize our services and shutdowns that may be requested or mandated by governmental authorities;
- COVID-19 and related government responses to address the COVID-19 pandemic may cause sudden and extreme changes in our stock price. Since COVID-19 was first reported, the volatility of U.S. equity markets increased to historic levels. This may cause extreme fluctuations in the market price of our stock. We cannot predict if and when these fluctuations will decrease or increase. In addition to general market conditions, the market price of our stock may become volatile or decline due to actual or anticipated impact of COVID-19 on our financial condition and results of operations or if our results of operations do not meet the expectations of the investor community or one or more of the analysts who cover our company change their recommendations regarding our company.

The duration and extent of the impact on our business from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time (e.g., the severity and transmission rate of the virus, the extent and effectiveness of containment measures, and the impact of these and other factors on our employees, customers, vendors and partners, including their respective productivity). Furthermore, our limited operating history combined with the uncertainty created by the COVID-19 pandemic significantly increases

the difficulty of forecasting operating results and of strategic planning. If we are unable to effectively predict and manage the impact of the COVID-19 pandemic on our business, our results of operations and financial condition may be negatively impacted.

***Our business has experienced an accelerated rate of growth which may be due in part to lifestyle changes in the wake of the COVID-19 pandemic; if so, our recent accelerated rate of growth may not be sustainable.***

Although we cannot precisely quantify in absolute or relative terms, our accelerated rate of growth in net sales for the six months ended September 30, 2020 correlates with shelter-in-place orders issued in many locations in March 2020 in response to the COVID-19 pandemic. Our sales growth for the six months ended September 30, 2020 was approximately 50% higher as compared to the six months ended September 30, 2019. A portion of our net sales during this period could be due to pull-through demand for our products due to higher consumption of CEA products from individuals spending more time at home due to shelter-in-place measures. Although uncertainty created by the COVID-19 pandemic remains, and various state budgets remain under economic pressure, creating a greater chance of further cannabis legalization, we cannot assure you that such growth will continue.

***Our international operations make us susceptible to the costs and risks associated with operating internationally.***

We operate some of our distribution centers in Canada and Spain and source products globally. We also operate a registered office in China. Accordingly, we are subject to risks associated with operating in foreign countries, including:

- fluctuations in currency exchange rates;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- additional costs of compliance with local regulations;
- in certain countries, historically higher rates of inflation than in the United States;
- changes in the economic conditions or consumer preferences or demand for our products in these markets;
- restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof;
- changes in foreign labor laws and regulations affecting our ability to hire and retain employees;
- changes in U.S. and foreign laws regarding trade and investment;
- less robust protection of our intellectual property and proprietary rights under foreign laws; and
- difficulty in obtaining distribution and support for our products.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs associated with operating our continuing international business could adversely affect our results of operations, financial condition and cash flows in the future.

***We will incur increased costs as a result of being a public company.***

As a public company, we will incur significant legal, accounting, insurance and other expenses that we did not incur as a private company. For example, we will incur increased legal and accounting costs as a result of being subject to the information and reporting requirements of the Exchange Act, and other federal securities laws. The costs of preparing and filing periodic and other reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders, will cause significant increase in our expenses than if we remained privately-held. The cost of being a public company will divert resources that might otherwise have been used to develop our business, which could have a material adverse effect on our company.

As a privately held company, we have not been required to comply with certain corporate governance and financial reporting practices and policies required of a public reporting company. If the registration statement of which this prospectus forms a part is declared effective, as a public company, we will be required to file with the SEC annual and quarterly information and other reports pursuant to the Exchange Act. We will also be

required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, we may become subject to other reporting and corporate governance requirements, including the requirements of any national securities exchange on which our common stock is listed, should we so qualify for listing, and certain provisions of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and the regulations promulgated thereunder, which will impose significant compliance obligations upon us. As a public company, we will, among other things:

- prepare and distribute periodic public reports and other stockholder communications in compliance;
- comply with our obligations under the federal securities laws and applicable listing rules;
- create or expand the roles and duties of our board of directors and committees of the board of directors;
- institute more comprehensive financial reporting and disclosure compliance functions;
- enhance our investor relations function;
- establish new internal policies, including those relating to disclosure controls and procedures; and
- involve and retain to a greater degree outside counsel and accountants in the activities listed above.

These changes will require a significant commitment of additional resources and many of our competitors already comply with these obligations. We may not be successful in complying with these obligations and the significant commitment of resources required for complying with them could have a material adverse effect on our business, financial condition and results of operations. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our committees of our board of directors or as our executive officers.

In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired and we could suffer adverse regulatory consequences or violate applicable listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements, which could have a material adverse effect on our business, financial condition and results of operations.

The changes necessitated by becoming a public company require a significant commitment of resources and management supervision that has increased and may continue to increase our costs and might place a strain on our systems and resources. As a result, our management's attention might be diverted from other business concerns. If we fail to maintain an effective internal control environment or to comply with the numerous legal and regulatory requirements imposed on public companies, we could make material errors in, and be required to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. If we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, as applicable, fines, sanctions and other regulatory action and potentially civil litigation.

***There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm us.***

Proper systems of internal control over financial accounting and disclosure are critical to the operation of a public company. We may be unable to effectively establish such systems, especially in light of the fact that we expect to operate as a publicly reporting company. This would leave us without the ability to reliably assimilate and compile financial information about us and significantly impair our ability to prevent error and detect fraud, all of which would have a negative impact on us from many perspectives.

Moreover, we do not expect that disclosure controls or internal control over financial reporting, even if established, will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further,

the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially adversely impact us.

***We identified material weaknesses in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.***

Prior to this offering, we were a private company with limited accounting and finance personnel, adequate review processes and other resources with which to address our internal controls and procedures. In connection with the audit of our financial statements for fiscal 2019, we and our independent registered public accounting firm identified control deficiencies in the design and operation of our internal control over financial reporting that constituted material weaknesses. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We determined that we had two material weaknesses because (i) we did not maintain a sufficient complement of personnel with an appropriate degree of technical knowledge commensurate with our accounting and reporting requirements and (ii) our controls related to the preparation, review, and analysis of accounting information and financial statements were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis for our U.S. entities and Eddi's. As a result, there were numerous misstatements identified which resulted in certain adjustments to the financial statements, including but not limited to, those described in Note 2, *Adjustments to Prior Period Financial Statements* in the notes to our 2019 consolidated financial statements. These material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

During 2020, we have taken several actions towards remediating these material weaknesses. In particular, we (i) hired and continue to hire, additional qualified accounting and financial reporting personnel with technical and/or public company experience and (ii) engaged an external advisor to assist management in completing a Sarbanes-Oxley Act compliant risk assessment, creating detailed control documentation for in-scope business and information technology processes, identify any further control gaps and providing assistance on remediation procedures, and to design and implement a Sarbanes-Oxley Act sub-certification process. We are still in the process of completing the remediation of the material weaknesses; however, we cannot assure you that the steps we are taking will be sufficient to remediate our material weaknesses or prevent future material weaknesses or significant deficiencies from occurring.

We can give no assurance that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that could result in a restatement of our financial statements and cause us to fail to meet our reporting obligations.

As a public company, we will be required to further design, document and test our internal controls over financial reporting to comply with Section 404 of the Sarbanes-Oxley Act. We cannot be certain that additional material weaknesses and control deficiencies will not be discovered in the future. If material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis or help prevent fraud, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the market price of our common stock to decline. If we have material weaknesses in the future, it could affect the financial results that we report or create a perception that those financial results do not fairly state our financial position or results of operations. Either of those events could have an adverse effect on the value of our common stock.

Further, even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved

controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our future reporting obligations.

***Acquisitions, other strategic alliances and investments could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.***

Acquisitions are an important element of our overall corporate strategy, and these transactions could entail material investments by us and be material to our financial condition and results of operations. We expect to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The process of integrating an acquired company, business, or product has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks may include, but are not limited to:

- diversion of management's time and focus from operating our business to acquisition integration challenges;
- failure to successfully further develop the acquired business or products;
- implementation or remediation of controls, procedures and policies at the acquired company;
- integration of the acquired company's accounting, human resources and other administrative systems, and coordination of product, engineering and sales and marketing functions;
- transition of operations, users and customers onto our existing platforms;
- reliance on the expertise of our strategic partners with respect to market development, sales, local regulatory compliance and other operational matters;
- failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or conditions placed upon approval, under competition and antitrust laws which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire;
- liability for or reputational harm from activities of the acquired company before the acquisition or from our strategic partners, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our due diligence may fail to identify all liabilities associated with acquisitions and we may not assess the relative benefits and detriments of making an acquisition and may pay acquisition consideration exceeding the value of the acquired business. Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments or strategic alliances could cause us to fail to realize the anticipated benefits of such acquisitions, investments or alliances, incur unanticipated liabilities, and harm our business generally.

Our acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results of operations and cash flows.

Although acquisitions are an important element of our overall corporate strategy, there can be no assurance that we will be able to identify appropriate acquisition targets, successfully acquire identified targets or successfully integrate the business of acquired companies to realize the full, anticipated benefits of such acquisitions.

***Damage to our reputation could have an adverse effect on our business.***

Maintaining our strong reputation is a key component in our success. Product recalls, our inability to ship, sell or transport our products, governmental investigations and other matters may harm our reputation and acceptance of our products, which may materially and adversely affect our business operations, decrease sales and increase costs.

In addition, perceptions that the products we distribute and market are not safe could adversely affect us and contribute to the risk we will be subjected to legal action. We distribute and market a variety of products, such as nutrients, and growing media. On occasion, allegations or news reports may be made that some of these products have failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that the products we distribute or market are not safe could impair our reputation, involve us in litigation, damage our brand names and have a material adverse effect on our business.

***Our marketing activities may not be successful.***

We invest substantial resources in advertising, consumer promotions and other marketing activities to maintain, extend and expand our brand image. There can be no assurance that our marketing strategies will be effective or that the amount we invest in advertising activities will result in a corresponding increase in sales of our products. If our marketing initiatives are not successful, we will have incurred significant expenses without the benefit of higher revenues.

***Our operations may be impaired if our information technology systems, or those of our third-party vendors, fail to perform adequately or if we or our third-party vendors are the subject of a data breach or cyber-attack.***

We rely on information technology systems in order to conduct business, including communicating with employees and our distribution centers, ordering and managing materials from suppliers, selling and shipping products to retail customers and analyzing and reporting results of operations, as well as for storing sensitive, personal and other confidential information. While we have taken steps to ensure the security of our information technology systems, our security measures or those of our third-party vendors may not be effective and our or our third-party vendors' systems may nevertheless be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users. If our or our third-party vendors' information technology systems are damaged or cease to be available or function properly for an extended period of time, whether as a result of a significant cyber incident or otherwise, our ability to communicate internally as well as with our retail customers could be significantly impaired, which may adversely impact our business.

Additionally, the techniques used to obtain unauthorized, improper or illegal access to information technology systems are constantly evolving, may be difficult to detect quickly and often are not recognized until after they have been launched against a target. We may be unable to anticipate these techniques, react in a timely manner or implement adequate preventative or remedial measures. Any operational failure or breach of security from these increasingly sophisticated cyber threats could lead to the loss or disclosure of both our and our retail customers' financial, product, and other confidential information, as well as personally identifiable information about our employees or customers, result in negative publicity and expensive and time-consuming regulatory or other legal proceedings, damage our relationships with our customers and have a material adverse effect on our business and reputation. In addition, we may incur significant costs and operational consequences in connection with investigating, mitigating, remediating, eliminating and putting in place additional tools and devices designed to prevent future actual or perceived security incidents, as well as in connection with complying with any notification or other obligations resulting from any security incidents. Because we do not control our third-party vendors, or the processing of data by our third-party vendors, our ability to monitor our third-party vendors' data security is limited and we cannot ensure the integrity or security of the measures they take to protect and prevent the loss of our or our consumers' data. As a result, we are subject to the risk that cyber-attacks on, or other security incidents affecting, our third-party vendors may adversely affect our business even if an attack or breach does not directly impact our systems.

***We occupy many of our facilities under long-term non-cancellable leases, and we may be unable to renew our leases at the end of their terms.***

Many of our facilities and distribution centers are located on leased premises subject to non-cancellable leases. Typically, our leases have initial terms ranging from three to ten years, with options to renew for

specified periods of time. We believe that our future leases will likely also be long-term and non-cancellable and have similar renewal options. If we close or stop fully utilizing a facility, we will most likely remain obligated to perform under the applicable lease, which would include, among other things, making the base rent payments, and paying insurance, taxes and other expenses on the leased property for the remainder of the lease term. Our future minimum aggregate rental commitments for leases for our facilities and distribution centers, as of December 31, 2019, is approximately $22.5 million for leases classified as operating and $894,000 for leases classified as financing. Our inability to terminate a lease when we stop fully utilizing a facility or exit a market can have a significant adverse impact on our financial condition, operating results and cash flows.

In addition, at the end of the lease term and any renewal period for a facility, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our facility leases, we may close or relocate a facility, which could subject us to construction and other costs and risks, which in turn could have a material adverse effect on our business and operating results. Further, we may not be able to secure a replacement facility in a location that is as commercially viable, including access to rail service. Having to close a facility, even briefly to relocate, could reduce the sales that such facility would have contributed to our revenues.

***The estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate.***

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We cannot assure, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. Any potential litigation related to the estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could have a material adverse effect on our financial results, harm our business, and cause our share price to decline.

***If we are unable to hire and retain key personnel, we may not be able to implement our business plan and our business may fail.***

Our future success depends to a large extent on our ability to attract, hire, train and retain qualified managerial, operational and other personnel. We face significant competition for qualified and experienced employees in our industry and from other industries and, as a result, we may be unable to attract and retain the personnel needed to successfully conduct and grow our operations. Additionally, key personnel, including members of management, may leave and compete against us.

At present, we believe we have the necessary key personnel to carry out our business plans but there can be no assurance that our beliefs will not prove unfounded. If we are unable to hire and retain key personnel, our business will be materially adversely affected.

***In order to increase our sales and marketing infrastructure, we will need to grow the size of our organization, and we may experience difficulties in managing this growth.***

As we continue to work to expand our business, we will need to expand the size of our employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, our management may have to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. Our future financial performance and our ability to continue to grow our operation and compete in the hydroponics industry effectively will depend, in part, on our ability to effectively manage any future growth.

***Potential tariffs or a global trade war could increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results.***

Since 2018, the United States has imposed tariffs on certain imports from China, including on lighting and environmental control equipment manufactured in China. If the U.S. administration imposes additional

tariffs, or if additional tariffs or trade restrictions are implemented by the United States or other countries the cost of our products manufactured in China and imported into the United States or other countries could increase, which in turn could adversely affect the demand for these products and have a material adverse effect on our business and results of operations. As of the date of this prospectus, tariffs have not adversely affected the purchase price of our products manufactured in China and imported into the United States.

***Unanticipated changes in our tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our profitability and cash flows.***

We are subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. Our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets (such as net operating losses and tax credits) and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of deferred tax assets, which are predominantly related to our operations in the United States, is dependent on our ability to generate future taxable income of the appropriate character in the relevant jurisdiction.

From time to time, tax proposals are introduced or considered by the U.S. Congress or the legislative bodies in local, state and foreign jurisdictions that could also affect our tax rate, the carrying value of our deferred tax assets, or our tax liabilities. Our tax liabilities are also affected by the amounts we charge for inventory, services, licenses and funding. We are subject to ongoing tax audits in various jurisdictions. In connection with these audits (or future audits), tax authorities may disagree with our determinations and assess additional taxes. We regularly assess the likely outcomes of our audits in order to determine the appropriateness of our tax provision. As a result, the ultimate resolution of our tax audits, changes in tax laws or tax rates, and the ability to utilize our deferred tax assets could materially affect our tax provision, net income and cash flows in future periods.

***We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability.***

As of December 31, 2019, we had U.S. federal net operating loss ("NOL") carryforwards of approximately $58 million, the utilization of which may be limited annually due to certain change in ownership provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Our NOL carryforwards will begin to expire in 2037. Please refer to Note 15, *Income Taxes* in the notes to our consolidated financial statements appearing elsewhere in this prospectus for a further discussion of the carryforward of our NOLs. As of December 31, 2019, we maintained a valuation allowance of approximately $35 million on the majority of our net deferred tax assets.

An "ownership change" (generally defined as greater than 50-percentage-point cumulative changes in the equity ownership of certain stockholders over a rolling three-year period) under Section 382 of the Code may limit our ability to utilize fully our pre-change NOL carryforwards to reduce our taxable income in periods following the ownership change. In general, an ownership change would limit our ability to utilize NOL carryforwards to an amount equal to the aggregate value of our equity at the time of the ownership change multiplied by a specified tax-exempt interest rate, subject to increase by certain built-in gains. Similar provisions of state tax law may also apply to our state NOL carryforwards. In addition, future changes in our stock ownership, some of which may be beyond our control, could result in additional ownership changes under Section 382 of the Code.

***If we need additional capital to fund our operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations.***

In connection with our growth strategies, we may experience increased capital needs and accordingly, we may not have sufficient capital to fund our future operations without additional capital investments. There can be no assurance that additional capital will be available to us. If we cannot obtain sufficient capital to fund our operations, we may be forced to limit the scope of our expansion.

***Litigation may adversely affect our business, financial condition and results of operations.***

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating

results if changes to our business operation are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations.

***If product liability lawsuits are brought against us, we may incur substantial liabilities.***

We face a potential risk of product liability as a result of any of the products that we offer for sale. For example, we may be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: (i) decreased demand for products that we may offer for sale; (ii) injury to our reputation; (iii) costs to defend the related litigation; (iv) a diversion of management's time and our resources; (v) substantial monetary awards to trial participants or patients; (vi) product recalls, withdrawals or labeling, marketing or promotional restrictions; (vii) a decline in our stock price. Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We do not maintain any product liability insurance. Even if we obtain product liability insurance in the future, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

**Risks Relating to Our Indebtedness**

***There are significant risks associated with the outstanding and future indebtedness of certain of our subsidiaries. Such subsidiaries' ability to pay interest and repay the principal on their indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.***

Certain of our subsidiaries are parties to material loan and lease agreements with different financial institutions. Such subsidiaries have used and/or will continue to use, the proceeds from these debt arrangements to fund working capital requirements and for the lease of certain equipment required to conduct our business. As of September 30, 2020, certain of our subsidiaries had an aggregate of $111.8 million of outstanding indebtedness that will mature between calendar year 2020 and calendar year 2023, and we or our subsidiaries may incur additional indebtedness in the future.

Our subsidiaries' current debt arrangements consist of the following. See "*Description of Our Indebtedness*" for additional information regarding the debt arrangements of certain of our subsidiaries.

- Loan and Security Agreement among Hydrofarm Holdings, LLC, Hydrofarm, LLC, EHH Holdings, LLC ("EHH"), SunBlaster LLC ("SunBlaster"), SunBlaster Holdings ULC ("SunBlaster ULC"), Eddi's Wholesale Garden Supplies, Ltd. ("EWGS" and, together with SunBlaster ULC, the "Canadian Borrowers") and Hydrofarm Canada, LLC ("Hydrofarm Canada") (collectively, the "Subsidiary Obligors"), and Encina Business Credit, LLC ("Encina"), as agent, and the other lenders party thereto, and (as amended and restated to date, the "Encina Credit Facility"). The Encina Credit Facility provides for revolving borrowings under an asset-based loan commitment of up to $45 million (inclusive of a limit of up to $15 million of borrowings for the Canadian Borrowers and a swingline facility of up to $2.0 million), subject to applicable borrowing base availability, which matures on the earlier of (i) July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement (as defined below), and is secured by a first-priority lien on all cash, accounts receivable and inventory of the Subsidiary Obligors and a second-lien priority lien on all other personal property of the Subsidiary Obligors. A portion of the proceeds borrowed under the Encina Credit Facility was used to pay in full the BofA Agreement (as defined below). As of September 30, 2020, we have

borrowings outstanding under the Encina Credit Facility of approximately $32.5 million, excluding unamortized deferred financing costs, with approximately $3.6 million available for future borrowings.

- Term Loan Credit Agreement among Subsidiary Obligors and Brightwood Loan Services, LLC ("Brightwood") and the other lenders party thereto (the "Term Loan Lenders") (as amended to date, the "Term Loan Agreement"). The Term Loan Agreement provides for a term loan in an aggregate principal amount of $75 million, which matures on May 12, 2022, and is secured by a second-priority lien on all cash, accounts receivable and inventory of the Subsidiary Obligors and a first-priority lien on all other assets and personal property of the Subsidiary Obligors, subject to certain exceptions. As of September 30, 2020, we have borrowings outstanding under the Term Loan Agreement of approximately $76.3 million, excluding unamortized deferred financing costs.
- As of September 30, 2020, we have a PPP Loan with a principal amount of $3.3 million.
- Other indebtedness of approximately $1.4 million as of September 30, 2020, is related to financing leases and term debt.

In addition, we and any current and future subsidiaries of ours may incur substantial additional debt in the future, subject to the specified limitations in the existing agreements governing our subsidiaries' indebtedness. If new debt is added to our or any of our subsidiaries' debt levels, the risks described in "Risks Relating to Our Indebtedness" could intensify. See "*Description of Our Indebtedness.*"

Our subsidiaries' current and future indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- increasing our or our subsidiaries' vulnerability to adverse economic and industry conditions;
- limiting our subsidiaries' ability to obtain additional financing;
- requiring the dedication of a substantial portion of our subsidiaries' cash flow from operations to service their respective indebtedness, thereby reducing the amount of cash flow available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We cannot assure you that we will continue to maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us or our subsidiaries to pay principal, premium, if any, and interest on the indebtedness of our subsidiaries, or that our or our subsidiaries' cash needs will not increase. If we or our subsidiaries are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if our subsidiaries fail to comply with the various requirements of their respective existing indebtedness or any other indebtedness which we or our subsidiaries may incur in the future, we or our subsidiaries would be in default, which could permit the holders of our or our subsidiaries' indebtedness to accelerate the maturity of such indebtedness, requiring us or our subsidiaries to pay all obligations then outstanding, and/or to exercise other remedies provided to them under their respective agreements, and any applicable law. Any default under such indebtedness would have a material adverse effect on our business, results of operations and financial condition.

***Each of the Term Loan Agreement and the Encina Credit Facility have restrictions on our ability to sell our products directly to the cannabis industry.***

The Term Loan Agreement prohibits the Subsidiary Obligors from selling our products directly to cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. The Encina Credit Facility prohibits the Subsidiary Obligors from selling our products to the cannabis industry. As a result, the Subsidiary Obligors do not sell our products directly to the cannabis industry, cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. We are in compliance with the terms set forth by the Term Loan Agreement and the Encina Credit Facility and maintain policies and procedures that are designed to promote and achieve continued compliance with these requirements.

These compliance requirements may require that we be more selective than our competitors when selecting to whom we sell our products, and in certain situations, may afford our competitors a competitive

advantage compared to us if we are not able to sell our products to a certain customer, and may negatively impact our marketing efforts, sales and reputation in the market. Moreover, any breach of these compliance requirements, could result in the occurrence of an event of default under the Term Loan Agreement and the Encina Credit Facility, which would entitle the Term Loan Lenders and Encina to accelerate the payment of all obligations then outstanding, without any action by them or notice of any kind. The foregoing events would have a material adverse effect on our business, results of operations and financial condition.

***Substantially all of the Subsidiary Obligors' assets are pledged to secure obligations under the Subsidiary Obligors outstanding indebtedness.***

The Subsidiary Obligors have granted a continuing security interest in substantially all of their assets to certain of our lenders under the agreements governing the Subsidiary Obligors' indebtedness, as security for the Subsidiary Obligors' obligations under such applicable loan agreements. If the Subsidiary Obligors default on any of their obligations under these agreements, Encina and the Term Loan Lenders will be entitled to exercise remedies available to them resulting from such default, including increasing the applicable interest rate on all amounts outstanding, declaring all amounts due thereunder immediately due and payable, assuming possession of the secured assets, and exercising rights and remedies of a secured party under the Uniform Commercial Code, as applicable then in the United States, or the Personal Property Security Act, as applicable then in Canada. Our ability to conduct our business may be materially harmed as a result of the exercise of any remedies, in the event that such remedies are exercisable, by any or all of Encina or the Term Loan Lenders.

***The Subsidiary Obligors existing debt agreements contain, and our or our subsidiaries' future debt agreements may contain, restrictions that may limit our flexibility in operating our business.***

The Subsidiary Obligors' existing debt agreements contain, and any documents governing our or our subsidiaries' future indebtedness may contain, numerous financial and operating covenants that limit the discretion of management with respect to certain business matters. Such restrictive covenants include restrictions on, among others, our or our subsidiaries' ability to: (1) incur additional indebtedness; (2) create or suffer to exist any liens upon any of our or our subsidiaries' property; (3) pay dividends and other distributions or enter into agreements restricting our subsidiaries' ability to pay dividends; (3) make any restricted investment; (4) make certain loans; make certain dispositions of assets; (5) merge, amalgamate, combine or consolidate; (6) engage in certain transactions with stockholders or affiliates; (7) amend or otherwise alter the terms of our or our subsidiaries' indebtedness; or (8) alter the business that we conduct. The Subsidiary Obligors' existing debt agreements also require, and any documents governing our or our subsidiaries' future indebtedness may require, us to meet certain financial ratios and tests. Noncompliance with the applicable financial ratios and tests are specified defaults under each of the Encina Credit Facility and the Term Loan Agreement. The Subsidiary Obligors have previously failed to comply with such financial ratios and tests, which required us to engage Brightwood to request forbearance and negotiate amendments to the Term Loan Agreement.

The Subsidiary Obligors' ability to comply with these and other provisions of their existing debt agreements is dependent on our future performance, which will be subject to many factors, some of which are beyond our control. The breach of any of these covenants or noncompliance with any of these financial ratios and tests could result in an event of default under the existing debt agreements, which, if not cured or waived, could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may also contain cross-acceleration or cross-default provisions. Variable rate indebtedness subjects the Subsidiary Obligors to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly.

***The substantial leverage of our subsidiaries could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our subsidiaries' variable rate debt and prevent our subsidiaries from meeting their obligations under their indebtedness.***

Certain of our subsidiaries are highly leveraged. As of September 30, 2020 and December 31, 2019, indebtedness of our subsidiaries was $111.8 million and $107.9 million, respectively. Our subsidiaries' high degree of leverage has serious consequences, including the following: (i) a substantial portion of our subsidiaries' cash flow from operations is dedicated to the payment of principal and interest on indebtedness,

thereby reducing the funds available for operations, future business opportunities and capital expenditures; (ii) our and our subsidiaries' ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate purposes in the future may be limited; (iii) certain of the borrowings are at variable rates of interest, which will increase our subsidiaries' vulnerability to increases in interest rates; (iv) we are at a competitive disadvantage to lesser leveraged competitors; (v) we may be unable to adjust rapidly to changing market conditions; (vi) the debt service requirements of our subsidiaries' other indebtedness could make it more difficult for us or our subsidiaries to satisfy our other financial obligations; and (vii) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

If our and our subsidiaries' cash flows and capital resources are insufficient to fund our subsidiaries' debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our subsidiaries' indebtedness. Our ability to restructure or refinance our subsidiaries' debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our subsidiaries' debt could be at higher interest rates and may require us or our subsidiaries to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our subsidiaries' outstanding indebtedness on a timely basis would likely result in a reduction of our subsidiaries' credit rating, which could harm our or our subsidiaries' ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our subsidiaries' debt service and other obligations required under the respective agreements. The Encina Credit Facility and the Term Loan Agreement each restrict our subsidiaries' ability to dispose of assets and use the proceeds from certain such dispositions. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any payments or fees then due. These alternative measures may not be successful and may not permit our subsidiaries to meet their obligations.

If we are unable to generate sufficient cash flow to service our subsidiaries' debt or to fund our other liquidity needs, we may need to restructure or refinance all or a portion of our subsidiaries' debt, which could cause our subsidiaries to default on their obligations and impair our liquidity. We cannot assure you that we will be able to refinance our subsidiaries' indebtedness. Any refinancing of our subsidiaries' indebtedness could be at higher interest rates and may require us or our subsidiaries to comply with more onerous covenants that could further restrict our business operations. We from time to time may increase the amount of our subsidiaries indebtedness, modify the terms of our subsidiaries' financing arrangements, make capital expenditures and take other actions that may substantially increase our subsidiaries' leverage.

***Uncertainty relating to the London interbank offered rate ("LIBOR") and the potential discontinuation of LIBOR in the future may adversely affect our interest expense.***

LIBOR is widely used as a reference for setting the interest rate on loans globally. We use LIBOR as a reference rate for the determination of the interest rates for our Term Loan Agreement and Encina Credit Facility. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform or discontinuation. In particular, on July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that LIBOR is expected to be discontinued after 2021. It is unclear whether or not new methods of calculating LIBOR will be established such that it continues to exist after 2021.

In the circumstance that LIBOR is discontinued, our Term Loan Agreement and our Encina Credit Facility contain alternative methodologies for computing interest rates. In the event that the Term Loan agent determines that LIBOR has been permanently discontinued, the lenders will use the base rate which is a per annum rate equal to the greater of (a) the Prime Rate (as defined therein) for such day; or (b) the Federal Funds Rate (as defined therein) for such day, plus 0.50%. In the event that the Encina Credit Facility agent determines that LIBOR has been permanently discontinued, the lenders will use the base rate which is a per annum rate equal to the greater of (a) the Federal Funds Rate (as defined therein) plus 0.50%, (b) one percent (1.0%), and (c) the Prime Rate (as defined therein).

There is no guarantee that an alternate interest rate will be established for the Term Loan Agreement or the Encina Credit Facility, and even if an alternative interest rate is established, such alternate interest rate may be higher than a corresponding interest rate benchmarked to LIBOR, especially given uncertainty as to the effectiveness of alternative rate-setting methodologies prior to their utilization in practice. Uncertainty as to the nature of any potential modification to or discontinuation of LIBOR, the decline in usefulness of LIBOR as an interest rate reference prior to its discontinuation, the establishment of alternative interest rates or the implementation of any other potential changes may materially and adversely affect our interest expense.

***We may not be entitled to forgiveness of our recently received PPP Loan, and our application for the PPP Loan could in the future be determined to have been impermissible or could result in damage to our reputation.***

In April 2020, we received proceeds of approximately $3.3 million from a loan with the SBA under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act and pursuant to the PPP Loan, loan forgiveness is available for the sum of covered documented payroll costs, covered rent payments, covered mortgage interest and covered utilities. Under the CARES Act, we will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, and we cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the PPP Loan will ultimately be forgiven by the SBA. While we believe we have used the PPP Loan proceeds in a manner consistent with obtaining forgiveness, we intend to repay the PPP Loan in connection with the consummation of the offering contemplated hereby.

In order to apply for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital and believe that we satisfied all eligibility criteria for the PPP Loan, and that our receipt of the PPP Loan was consistent with the broad objectives of the CARES Act. The certification described above that we were required to provide in connection with our application for the PPP Loan did not contain any objective criteria and was subject to interpretation. However, on April 23, 2020, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the CARES Act has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good-faith belief that we satisfied all eligible requirements for the PPP Loan, we are later determined to have violated any of the laws or governmental regulations that apply to us in connection with the PPP Loan, such as the False Claims Act, or it is otherwise determined that we were ineligible to receive the PPP Loan, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP Loan in its entirety. In addition, our receipt of the PPP Loan may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources.

**Risks Relating to Third Parties**

***Our reliance on a limited base of suppliers for certain products, such as light ballasts, may result in disruptions to our business and adversely affect our financial results.***

Although we continue to implement risk-mitigation strategies for single-source suppliers, we rely on a limited number of suppliers for certain of our light ballasts, used in manufacturing our lighting systems. If we are unable to maintain supplier arrangements and relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, or if any of our key suppliers becomes insolvent or experience other financial distress, we could experience disruptions in production, which could have a material adverse effect on our financial condition, results of operations and cash flows.

***A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings.***

Operations at our and our suppliers' facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism, government shut-downs and work stoppages. A significant interruption in the operation of our or our suppliers' facilities,

especially for those products manufactured at a limited number of facilities, such as fertilizer and liquid products, could significantly impact our capacity to sell products and service our customers in a timely manner, which could have a material adverse effect on our customer relationships, revenues, earnings and financial position.

***If our suppliers are unable to source raw materials in sufficient quantities, on a timely basis, and at acceptable costs, our ability to sell our products may be harmed.***

The manufacture of some of our products is complex and requires precise high quality manufacturing that is difficult to achieve. We have in the past, and may in the future, experience difficulties in manufacturing our products on a timely basis and in sufficient quantities. These difficulties have primarily related to difficulties associated with ramping up production of newly introduced products and may result in increased delivery lead-times and increased costs of manufacturing these products. Our failure to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs or other problems that could harm our business and prospects.

In determining the required quantities of our products and the manufacturing schedule, we must make significant judgments and estimates based on historical experience, inventory levels, current market trends and other related factors. Because of the inherent nature of estimates, there could be significant differences between our estimates and the actual amounts of products we require, which could harm our business and results of operations.

***Disruptions in availability or increases in the prices of raw materials sourced by suppliers could adversely affect our results of operations.***

We source many of our product components from outside of the United States. The general availability and price of those components can be affected by numerous forces beyond our control, including political instability, trade restrictions and other government regulations, duties and tariffs, price controls, changes in currency exchange rates and weather.

A significant disruption in the availability of any of our key product components could negatively impact our business. In addition, increases in the prices of key commodities and other raw materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in our raw material costs. Our proprietary technologies can limit our ability to locate or utilize alternative inputs for certain products. For certain inputs, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing a product to market.

***If our suppliers that currently, or in the future, sell directly to the retail market in which we conduct our current or future business, enhance these efforts and cease or decrease their sales through us, our ability to sell certain products could be harmed.***

Our distribution and sales and marketing capabilities provide significant value to our suppliers. Distributed brand suppliers sell through us in order to access thousands of retail and commercial customers across the United States and Canada with short order lead times, no minimum order quantity on individual items, free or minimal freight expense and trade credit terms. Based on our knowledge and communication with our suppliers, we believe some of our suppliers sell directly to the retail market. If these suppliers were to cease working with us, or proceed to enhance their direct-to-customer efforts, our product offerings, reputation, operation and business could be materially adversely effected.

**Risks Relating to the Cannabis Industry**

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. It is evident to us that the movement towards the legalization of cannabis in the U.S. and its legalization in Canada has ultimately had a significant, positive impact on our industry. Accordingly, the risks referred to below, to the extent they relate to our customers could impact us indirectly. In addition, if our business is deemed to transact with companies involved in the cannabis business, these risks could apply directly to us. “Cannabis Industry Participants” means the potential customers and end-users of our products who are engaged in the cannabis industry.

***We are subject to a number of risks, directly and indirectly through Cannabis Industry Participants, because cannabis is illegal under federal law.***

Cannabis is illegal under federal law. Federal law and enforcement may adversely affect the implementation of medical cannabis and/or adult-use cannabis laws, and may negatively impact our revenues and profits.

Under the United States Controlled Substances Act of 1970 (the "CSA"), the U.S. Government lists cannabis as a Schedule I controlled substance (i.e., deemed to have no medical value), and accordingly the manufacturing (cultivation), sale, or possession of cannabis is federally illegal. It is also federally illegal to advertise the sale of cannabis or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. The United States Supreme Court has ruled in United States v. Oakland Cannabis Buyers' Coop. and Gonzales v. Raich, 532 U.S. 483 (2001), that the federal government has the right to regulate and criminalize cannabis, even for medical purposes. The illegality of cannabis under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding cannabis would likely adversely affect our revenues and results of operations.

Other laws that directly impact the cannabis growers that are end users of certain of our products include:

- Businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Code Section 280E. There is no way to predict how the federal government may treat cannabis business from a taxation standpoint in the future and no assurance can be given to what extent Code Section 280E, or other tax-related laws and regulations, may be applied to cannabis businesses in the future.
- Because the manufacturing (cultivation), sale, possession and use of cannabis is illegal under federal law, cannabis businesses may have restricted intellectual property and proprietary rights, particularly with respect to obtaining and enforcing patents and trademarks. In addition, cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act ("RICO"). Intellectual property and proprietary rights could be impaired as a result of cannabis business, and cannabis businesses could be named as a defendant in an action asserting a RICO violation.
- Federal bankruptcy courts cannot provide relief for parties who engage in cannabis or cannabis businesses. Recent bankruptcy rulings have denied bankruptcies for cannabis dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute cannabis assets as such action would violate the CSA. Therefore, cannabis businesses may not be able to seek the protection of the bankruptcy courts and this could materially affect their financial performance and/or their ability to obtain or maintain credit.
- Since cannabis is illegal under federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved in the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Any such inability to open or maintain bank accounts may make it difficult for cannabis businesses to operate. Under the Bank Secrecy Act ("BSA"), banks must report to the federal government any suspected illegal activity, which includes any transaction associated with a cannabis business. These reports must be filed even though the business is operating legitimately under state law.
- Insurance that is otherwise readily available, such as general liability and directors and officer's insurance, may be more difficult to find, and more expensive.

The current Trump administration, or any new administration or attorney general, could change federal enforcement policy or execution and decide to enforce the federal cannabis laws more strongly. On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum rescinding previous guidance (directing U.S. Department of Justice and the U.S. Attorneys' offices to focus their cannabis enforcement efforts under federal law only in identified priority areas, such as sale to minors, criminal enterprises, and interstate sales). Under the Sessions memorandum, local U.S. Attorneys' offices retain discretion regarding the prosecution of cannabis activity authorized under state laws and regulations. While current U.S. Attorney General William Barr expressed support for the National Organization to Reform Marijuana Laws ("NORML") during his Senate testimony on April 10, 2019, further change in the federal approach towards enforcement could

negatively affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to us. The legal uncertainty and possible future changes in law could negatively affect our growth, revenues, results of operations and success generally.

Federal authorities may decide to change their current posture and begin to enforce current federal cannabis law and, if they decide to ignore the principles in the Cole Memorandum issued in 2013 (the "Cole Memorandum") and begin to aggressively enforce such laws, it is possible that they could allege that we violated federal laws by selling products used in the cannabis industry. As a result, active enforcement of the current federal regulatory position on cannabis may thus directly or indirectly adversely affect our revenues and profits.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on our business, including our reputation and ability to conduct business, the listing of our securities on any stock exchanges, the settlement of trades of our securities, our ability to obtain banking services, our financial position, operating results, profitability or liquidity or the market price of our publicly traded shares. In addition, it is difficult for us to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

***Cannabis Industry Participants are subject to federal and state controlled substance laws and regulations. As a result, we are indirectly subject to a number of risks related to controlled substances.***

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. Some of our products are sold to Cannabis Industry Participants and used in connection with cannabis businesses that are subject to federal and state controlled substance laws and regulations. Companies that transact directly or indirectly with cannabis businesses are subject to a number of risks related to controlled substances, which risks could reduce demand for our products by Cannabis Industry Participants. Such risks include, but are not limited to, the following:

- Cannabis is a Schedule I drug under the CSA and regulated by the Drug Enforcement Administration (the "DEA") as an illegal substance. The Food and Drug Administration ("FDA"), in conjunction with the DEA, licenses cannabis research and drugs containing active ingredients derived from cannabis. If cannabis were to become legal under federal law, its sale and use could become regulated by the FDA or another federal agency.
- If cannabis were to become regulated by the FDA or another federal agency, extensive regulations may be imposed on the sale or use of cannabis. Such regulations could result in a decrease in cannabis sales and have a material adverse impact on the demand for our products. If we or our Cannabis Industry Participants are unable to comply with any applicable regulations and/or registration prescribed by the FDA, we may be unable to continue to transact with retailers and resellers who sell products to cannabis businesses and/or our financial condition may be adversely impacted.
- Controlled substance legislation differs between states and legislation in certain states may restrict or limit Cannabis Industry Participants from buying our products. Cannabis Industry Participants may be required to obtain separate state registrations, permits or licenses in order to be able to obtain, handle and/or distribute controlled substances in a state. Such state regulatory requirements may be costly and, the failure of such Cannabis Industry Participants to meet such regulatory requirements could lead to enforcement and sanctions by the states in addition to any from the DEA or otherwise arising under federal law. We could be implicated in such enforcement or sanctions because of the purchase of our products by such Cannabis Industry Participants.
- The failure of our Cannabis Industry Participants to comply with applicable controlled substance laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the demand for our products and, as a result, the financial results of our business operations and our financial condition.

Furthermore, the Encina Credit Facility and the Term Loan Agreement each restrict our ability to sell our products directly to cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. As a result, the Subsidiary Obligors do not sell our products directly to the cannabis industry, cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. See "*— Risks Relating to Our Indebtedness.*"

***Our growth is highly dependent on the U.S. cannabis market. New California regulations caused licensing shortages and future regulations may create other limitations that decrease the demand for our products. State level regulations adopted in the future may adversely impact our business.***

The base of cannabis growers in the U.S. has grown over the past 20 years since the legalization of cannabis for medical uses in states such as California, Colorado, Michigan, Nevada, Oregon and Washington, with a large number of those growers depending on products similar to those we distribute. The U.S. cannabis market is still in its infancy and early adopter states such as California, Colorado and Washington represent a large portion of historical industry revenues. If the U.S. cannabis cultivation market does not grow as expected, our business, financial condition and results of operations could be adversely impacted.

Cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I substance under the CSA. Notwithstanding laws in various states permitting certain cannabis activities, all cannabis activities, including possession, distribution, processing and manufacturing of cannabis and investment in, and financial services or transactions involving proceeds of, or promoting such activities remain illegal under various U.S. federal criminal and civil laws and regulations, including the CSA, as well as laws and regulations of several states that have not legalized some or any cannabis activities to date. Compliance with applicable state laws regarding cannabis activities does not protect us from federal prosecution or other enforcement action, such as seizure or forfeiture remedies, nor does it provide any defense to such prosecution or action. Cannabis activities conducted in or related to conduct in multiple states may potentially face a higher level of scrutiny from federal authorities. Penalties for violating federal drug, conspiracy, aiding, abetting, bank fraud and/or money laundering laws may include prison, fines, and seizure/forfeiture of property used in connection with cannabis activities, including proceeds derived from such activities.

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry, however, it is evident to us that the movement towards the legalization of cannabis in the U.S. and its legalization in Canada has ultimately had a significant, positive impact on our industry. We are not currently subject directly to any state laws or regulations controlling participants in the legal cannabis industry. However, regulation of the cannabis industry does impact those that we believe represent many end-users for our products and, accordingly, there can be no assurance that changes in regulation of the industry and more rigorous enforcement by federal authorities will not have a material adverse effect on us.

***Legislation and regulations pertaining to the use and cultivation of cannabis are enacted on both the state and federal government level within the United States. As a result, the laws governing the cultivation and use of cannabis may be subject to change. Any new laws and regulations limiting the use or cultivation of cannabis and any enforcement actions by state and federal governments could indirectly reduce demand for our products, and may impact our current and planned future operations.***

Individual state laws regarding the cultivation and possession of cannabis for adult and medical uses conflict with federal laws prohibiting the cultivation, possession and use of cannabis for any purpose. A number of states have passed legislation legalizing or decriminalizing cannabis for adult-use, other states have enacted legislation specifically permitting the cultivation and use of cannabis for medicinal purposes, and several states have enacted legislation permitting cannabis cultivation and use for both adult and medicinal purposes. Variations exist among those states' cannabis laws. Evolving federal and state laws and regulations pertaining to the use or cultivation of cannabis, as well active enforcement by federal or state authorities of the laws and regulations governing the use and cultivation of cannabis may indirectly and adversely affect our business, our revenues and our profits.

The Term Loan Agreement prohibits the Subsidiary Obligors from selling our products directly to cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. The Encina Credit Facility prohibits the Subsidiary Obligors from selling our products to the cannabis industry. As a

result, the Subsidiary Obligors do not sell our products directly to the cannabis industry, cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. See "— *Risks Relating to Our Indebtedness*."

***Certain of our products may be purchased for use in new and emerging industries and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, future scientific research and public perception.***

We sell products, including hydroponic gardening products, through third-party retailers and resellers. End users may purchase these products for use in new and emerging industries, including the growing of cannabis that may not achieve market acceptance in a manner that we can predict. The demand for these products is dependent on the growth of these industries, which is uncertain, as well as the laws governing the growth, possession, and use of cannabis by adults for both adult and medical use.

Laws and regulations affecting the U.S. cannabis industry are continually changing, which could detrimentally affect our growth, revenues, results of operations and success generally. Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the end users of certain of our products or us to incur substantial costs associated with compliance or to alter our respective business plans. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operation and financial condition.

Scientific research related to the benefits of cannabis remains in its early stages, is subject to a number of important assumptions, and may prove to be inaccurate. Future research studies and clinical trials may reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact the demand for our products for use in the cannabis industry.

The public's perception of cannabis may significantly impact the cannabis industry's success. Both the medical and adult-use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use of cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the United States or internationally, may have a material adverse effect on our operational results, consumer base, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult cannabis or adopt new laws or regulations restricting or prohibiting the medical or adult-use of cannabis where it is now legal, thereby limiting the Cannabis Industry Participants.

Demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop. We cannot predict the nature of such developments or the effect, if any, that such developments could have on our business.

***Our indirect involvement in the cannabis industry could affect the public's perception of us and be detrimental to our reputation.***

Damage to our reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our retailers and resellers that transact with cannabis businesses might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased use of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views with regard to cannabis companies and their activities, whether true or not and the cannabis industry in general, whether true or not. We do not ultimately have direct control over how the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in

developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize our growth prospects, thereby having a material adverse impact on our business.

In addition, third parties with whom we may do business could perceive that they are exposed to reputational risk as a result of our retailers' and resellers' involvement with cannabis businesses. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of our business could have a material adverse effect on our business, financial condition and results of operations.

***Businesses involved in the cannabis industry, and investments in such businesses, are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes.***

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. Investments in the U.S. cannabis industry are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the BSA, as amended by the U.S. PATRIOT Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. In February 2014, the Financial Crimes Enforcement Network of the Treasury Department ("FinCEN") issued a memorandum (the "FinCEN Memo") providing guidance to banks seeking to provide services to cannabis businesses. The FinCEN Memo outlines circumstances under which banks may provide services to cannabis businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis violations of the CSA and outlines extensive due diligence and reporting requirements, which most banks have viewed as onerous. On June 29, 2020, FinCEN issued additional guidance for financial institutions conducting due diligence and filing suspicious activity reports in connection with hemp-related business customers. While these guidelines clarify that financial institutions are not required to file suspicious activity reports solely based on a customer's hemp-related business operations, which must be operating lawfully under applicable state law and regulations, these requirements can still present challenges for certain end users of our products to establish and maintain banking connections, and restrictions on cannabis-related banking activities remain. In September 2019, the United States House of Representatives passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, but the Senate has not taken up the SAFE Banking Act or other similar legislation.

**Risks Relating to Other Regulations**

***Certain state and other regulations pertaining to the use of certain ingredients in growing media and plant nutrients could adversely impact us by restricting our ability to sell such products.***

One of our leading product lines is growing media and nutrients products. This product line includes certain products, such as organic soils and nutrients that contain ingredients that require the companies that provide us with these products to register the product with certain regulators. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of our leading products could have an adverse impact on those companies providing us with such regulated products, and as a result, limit our ability to sell these products.

***We are currently subject to, and may in the future become subject to additional, U.S., state and foreign laws and regulations imposing obligations on how we collect, store and process personal information. Our actual or perceived failure to comply with such obligations could harm our business.***

We are, and may increasingly become, subject to various laws and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory environment related to data privacy and security is increasingly rigorous, with new and constantly changing requirements applicable to our business, and enforcement practices are likely to remain uncertain for the foreseeable future. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our business, financial condition, results of operations and prospects.

In the United States, various federal and state regulators, including governmental agencies like the Consumer Financial Protection Bureau and the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning personal information and data security. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act ("CCPA"), which increases privacy rights for California residents and imposes obligations on companies that process their personal information, came into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. In addition, on November 3, 2020, California voters approved a new privacy law, the California Privacy Rights Act ("CPRA"). The CPRA comes into effect on January 1, 2023, and will significantly modify the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. In addition, laws in all 50 U.S. states require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. State laws are changing rapidly and there is discussion in the U.S. Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted.

Internationally, laws, regulations and standards in many jurisdictions apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the E.U. General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increased the European Commission's jurisdictional reach of its laws and adds a broad array of requirements for handling personal data. EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and/or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states and the United Kingdom governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area or the United Kingdom, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million, whichever is greater.

All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Any failure or perceived failure by us to comply with any applicable federal, state or similar foreign laws and regulations relating to data privacy and security could result in damage to our reputation, as well as proceedings or litigation by government agencies or other third parties, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, sanctions, awards, penalties or judgements, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Compliance with, or violation of, environmental, health and safety laws and regulations, including laws pertaining to the use of pesticides, could result in significant costs that adversely impact our reputation, businesses, financial position, results of operations and cash flows.***

International, federal, state, provincial and local laws and regulations relating to environmental, health and safety matters affect us in several ways in light of the ingredients that are used in products included in our growing media and nutrients product line. In the United States, products containing pesticides generally must be registered with the Environmental Protection Agency (the "EPA"), and similar state agencies before they can be sold or applied. The failure by one of our partners to obtain or the cancellation of any such registration, or the withdrawal from the marketplace of such pesticides, could have an adverse effect on our businesses, the severity of which would depend on the products involved, whether other products could be substituted and

whether our competitors were similarly affected. The pesticides we use are either granted a license by the EPA or exempt from such a license and may be evaluated by the EPA as part of its ongoing exposure risk assessment. The EPA may decide that a pesticide we distribute will be limited or will not be re-registered for use in the United States. We cannot predict the outcome or the severity of the effect on our business of any future evaluations, if any, conducted by the EPA.

In addition, the use of certain pesticide products is regulated by various international, federal, state, provincial and local environmental and public health agencies. Although we strive to comply with such laws and regulations and have processes in place designed to achieve compliance, we may be unable to prevent violations of these or other laws and regulations from occurring. Even if we are able to comply with all such laws and regulations and obtain all necessary registrations and licenses, the pesticides or other products we apply or use, or the manner in which we apply or use them, could be alleged to cause injury to the environment, to people or to animals, or such products could be banned in certain circumstances. The costs of compliance, noncompliance, investigation, remediation, combating reputational harm or defending civil or criminal proceedings, products liability, personal injury or other lawsuits could have a material adverse impact on our reputation, businesses, financial position, results of operations and cash flows.

***Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.***

As a Delaware corporation, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Some foreign companies, including some that may compete with us, may not be subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in countries in which we conduct our business. However, our employees or other agents may engage in conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

**Risks Relating to Our Intellectual Property**

***Recent laws make it difficult to predict how patents will be issued or enforced in our industry.***

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may have a significant impact on our ability to protect our technology and enforce our intellectual property and proprietary rights. There have been numerous changes to the patent laws and to the rules of the United States Patent and Trademark Office (the "USPTO"), which may have a significant impact on our ability to protect our technology and enforce our intellectual property and proprietary rights. For example, the Leahy-Smith America Invents Act, which was signed into law in 2011, includes a transition from a "first-to-invent" system to a "first-to-file" system, and changes the way issued patents can be challenged. Certain changes, such as the institution of inter partes review and post-grant and derivation proceedings, came into effect in 2012. Substantive changes to patent law associated with the Leahy-Smith America Invents Act may affect our ability to obtain patents, and, if obtained, to enforce or defend them in litigation or inter partes review, or post-grant or derivation proceedings, all of which could harm our business.

***We may not be able to adequately obtain, maintain, protect or enforce our intellectual property and other proprietary rights that are material to our business.***

Our ability to compete effectively depends in part on our rights to trademarks, patents and other intellectual property rights we own or license. We have not sought to register every one of our trademarks either in the United States or in every country in which such mark is used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States with respect to the registered brand names and issued patents we hold. If we are unable to obtain, maintain, protect and enforce our intellectual property and proprietary rights, including our information and/or brand names, we could suffer a material adverse effect on our business, financial condition and results of operations.

The steps we take to obtain, maintain, protect and enforce our intellectual property and proprietary rights may be inadequate and despite our efforts to protect these rights, unauthorized third parties, including our competitors, may duplicate, reverse engineer, access, obtain, use or copy the proprietary aspects of our technology, processes, products or services without our permission. In addition, we cannot guarantee that we have entered into confidentiality agreements with each party that has or may have had access to our proprietary information, know-how and trade secrets. Moreover, our contractual arrangements may be breached or otherwise not effectively prevent disclosure of, or control access to, our intellectual property and confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. If we are unable to obtain, maintain, protect or enforce our intellectual property and proprietary rights, including our proprietary information and/or brand names, we could suffer a material adverse effect on our business, financial condition and results of operations.

Litigation may be necessary to enforce our owned or in-licensed intellectual property rights and proprietary rights and protect our proprietary information against claims by third parties that our products or services infringe, misappropriate or otherwise violate their intellectual property rights or proprietary rights. Any litigation or claims brought by us could result in substantial costs and diversion of our resources and may not be successful, even when our rights have been infringed, misappropriated or otherwise violated. Our efforts to enforce our intellectual property and proprietary rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property and proprietary rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property and proprietary rights. Additionally, the mechanisms for enforcement of intellectual property and proprietary rights in foreign jurisdictions may be inadequate.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, document submissions, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for noncompliance with these requirements.***

Periodic maintenance or annuity fees on any issued patents are due to be paid to the USPTO, and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payments and other similar provisions during the patent application process. While an inadvertent or unintentional lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, nonpayment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our products, our competitors might be able to enter the market, which would have a material adverse effect on our business. Additionally, patents have a limited lifespan. In the United States, even if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date and the natural expiration of a design patent is generally 14 years after its issue date, unless the filing date occurred on or after May 13, 2015, in which case the natural expiration of a design patent is generally 15 years after its issue date. Even if patents covering our products or services are obtained, once the patent life has expired, we may be open to competition from competitive products or services. If one of our products requires extended development, testing and/or regulatory review, patents protecting such products might expire before or shortly after such products are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

***From time to time, we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain or we may lose certain licenses which may be difficult to replace, harming our competitive position.***

We may need to obtain licenses to patents and other intellectual property and proprietary rights held by third parties to develop, manufacture and market our products, if, for example, we sought to develop our products, in conjunction with any patented technology. If we are unable to timely obtain these licenses on commercially reasonable terms (or at all) and maintain these licenses, our ability to commercially market our products, may be inhibited or prevented, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In spite of our best efforts, our licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby removing our ability to develop and commercialize products, services and technology covered by these license agreements. If these in-licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, competitors may have the freedom to market products identical to ours and we may be required to cease using or commercializing our products, services and technology covered by such patents.

***Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.***

Our success depends upon our ability to develop, manufacture, market and sell our products, and to use our proprietary technologies without infringing, misappropriating or otherwise violating the intellectual property or proprietary rights of third parties. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property or proprietary rights with respect to our products and technology, including interference or derivation proceedings and various other post-grant proceedings before the USPTO and/or non-United States opposition proceedings. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. A successful claim of trademark, patent or other intellectual property or proprietary right infringement, misappropriation or other violation against us, or any other successful challenge to the use of our intellectual property and proprietary rights, could subject us to damages or prevent us from providing certain products or services, or using certain of our recognized brand names, which could have a material adverse effect on our business, financial condition and results of operations. As a result of any such infringement claims, or other intellectual property claims, regardless of merit, or to avoid potential claims, we may choose or be compelled to seek intellectual property licenses from third parties. These licenses may not be available on acceptable terms, or at all. Even if we are able to obtain a license, the license would likely obligate us to pay license fees, royalties, minimum royalties and/or milestone payments and the rights granted to us could be nonexclusive, which would mean that our competitors may be able to obtain licenses to the same intellectual property. Ultimately, we could be prevented from commercializing a product and/or technology or be forced to cease some aspect of our business operations if, as a result of actual or threatened infringement or other intellectual property claims, we are unable to enter into licenses of the relevant intellectual property on acceptable terms. Further, if we attempt to modify a product and/or technology or to develop alternative methods or products in response to infringement or other intellectual property claims or to avoid potential claims, we could incur substantial costs, encounter delays in product introductions or interruptions in sales.

***We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

Although we try to ensure that our employees do not use the intellectual property and proprietary rights, including proprietary information or know-how, of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property or proprietary rights, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any threatened or pending claims related to these matters or concerning agreements with our employees, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property or proprietary rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

***Intellectual property disputes could cause us to spend substantial resources and distract our personnel from their normal responsibilities.***

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the value of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs

of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent and other intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

***If our owned or in-licensed trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.***

We regard our owned and in-licensed trademarks, trade names and service marks as having significant value and as an important factor in the success of our business. The registered or unregistered trademarks, trade names and service marks that we own or in-license from third parties may be challenged, infringed, circumvented, declared generic or determined to be infringing on or dilutive of other marks. Additionally, at times, competitors may adopt trademarks, trade names or service marks similar to the ones we own or in-license, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trademark, trade name or service mark infringement claims brought against us or our licensors by owners of other trademarks, trade names and service marks. Over the long term, if we are unable to establish name recognition based on our owned and in-licensed trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may also license our trademarks, trade names and service marks out to third parties, such as our distributors. Though these license agreements may provide guidelines for how our trademarks, trade names and service marks may be used, a breach of these agreements or misuse of our trademarks, trade names and service marks by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our intellectual property and proprietary rights related to trademarks, trade names and service marks may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our business, financial condition, results of operations and prospects.

***Intellectual property and proprietary rights do not necessarily address all potential threats to our competitive advantage.***

The degree of future protection afforded by our intellectual property and proprietary rights is uncertain because intellectual property and proprietary rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative.

- Others may be able to construct products that are similar to our products but that are not covered by the claims of the patents that we own or have exclusively licensed;
- We or our licensors or strategic collaborators, if any, might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- We or our licensors or strategic collaborators, if any, might not have been the first to file patent applications covering certain of our inventions;
- Others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our intellectual property and proprietary rights;
- It is possible that our current and future pending patent applications will not lead to issued patents;
- It is possible that our current and future pending trademark or service mark applications will not lead to registrations;
- We may fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection;
- Issued patents and other intellectual property and proprietary rights that we own or have exclusively licensed may not provide us with any competitive advantages, may not be sufficiently broad in scope or may be held invalid or unenforceable, as a result of legal challenges by third parties, including our competitors;
- Our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

- We may not develop additional proprietary technologies that are patentable; and
- The patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

**Risks Relating to Our Capital Stock**

***We may incur indebtedness or issue capital stock that ranks senior or equally to our common stock as to liquidation preference and other rights and which may dilute our stockholders' ownership interest.***

Shares of our common stock are common equity interests in us and, as such, will rank junior to all of our existing and future indebtedness and other liabilities. Additionally, our amended and restated certificate of incorporation (the "Certificate of Incorporation") does not prohibit us from issuing any series of preferred stock that would rank senior or equally to our common stock as to dividend payments and liquidation preference. Our Certificate of Incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock. We have the authority to issue up to 50,000,000 shares of our preferred stock without further stockholder approval. The issuances of any series of preferred stock could have the effect of reducing the amounts available to our holders of common stock in the event of our liquidation. In addition, if we issue preferred stock with voting rights that dilute the voting power of our common stock, the market price of our common stock could decrease. Additional issuances and sales of preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. In addition, any additional capital raised through the sale of equity or equity-backed securities may dilute our stockholders' ownership percentages and could also result in a decrease in the market value of our common stock.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

These provisions might discourage, delay or prevent a change in control of our company or a change in our management. The existence of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock. Furthermore, we have the authority to issue up to 50,000,000 shares of our preferred stock without further stockholder approval, the rights of which will be determined at the discretion of the board of directors and that, if issued, could operate as a "poison pill" to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that our board of directors does not approve. In addition, our Certificate of Incorporation and amended and restated bylaws (the "Bylaws") contain provisions that may make the acquisition of our company more difficult, including the following:

- our authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- our stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter, except in certain circumstances;
- a special meeting of our stockholders may only be called by the chairperson of our board of directors or a majority of our board of directors;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- certain amendments to our Certificate of Incorporation and any amendments to our Bylaws by our stockholders will require the approval of at least two-thirds of our then-outstanding voting power entitled to vote generally in an election of directors, voting together as a single class.

***Delaware law contains anti-takeover provisions that could deter takeover attempts that could be beneficial to our stockholders.***

Provisions of Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15% or more of our outstanding voting stock from acquiring us, without the consent of our board of directors, for at least three years from the date they first hold 15% or more of the voting stock.

***Various provisions of our lending agreements with Encina and Brightwood, in addition to our Certificate of Incorporation, Bylaws and other corporate documents, could delay or prevent a change of control.***

The Encina Credit Facility and the Term Loan Agreement each prohibit us from undergoing a change of control. Any takeover attempt could be delayed, or prevented, if an amendment or waiver is not provided by the respective lenders. See "*— Risks Relating to Our Indebtedness*" and "*Description of Our Indebtedness.*" Moreover, certain provisions of our Certificate of Incorporation and Bylaws and provisions of Delaware General Corporation Law could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our Certificate of Incorporation and Bylaws, among other things will regulate how stockholders may present proposals or nominate directors for election at stockholders' meetings and authorize our board of directors to issue preferred stock in one or more series, without stockholder approval. See "*Description of Capital Stock — Anti-Takeover Provisions.*"

***We are a holding company and rely on dividends and other payments, advances and transfers of funds from our subsidiaries to meet our obligations and pay dividends, if any, and we may never pay any dividends to the holders of our common stock and capital appreciation, if any, of our common stock may be your sole source of gain on your investment.***

We have no direct operations and no significant assets other than the ownership of capital stock and equity interests of our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations. Legal and contractual restrictions in the Encina Credit Facility, the Term Loan Agreement and other agreements which may govern future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries might not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and cash flows. In addition, our ability to pay dividends is restricted by the terms of the Encina Credit Facility and the Term Loan Agreement and, in addition, future debt financing, if any, may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our securities.

We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any dividends to holders of our common stock in the foreseeable future, but will review this policy as circumstances dictate. The declaration and payment of all future dividends to holders of our common stock, if any, will be at the sole discretion of our board of directors, which retains the right to change our dividend policy at any time. In addition, our ability to pay dividends is restricted by the terms of the Encina Credit Facility and the Term Loan Agreement and, in addition, future debt financing, if any, may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our securities. Consequently, capital appreciation, if any, of our common stock may be your sole source of gain on your investment for the foreseeable future.

***Our largest stockholders will exercise significant influence over our company for the foreseeable future, including the outcome of matters requiring stockholder approval.***

Our former directors and their affiliates collectively own approximately % of our outstanding shares of common stock and will own of our outstanding shares of common stock after the consummation of the offering contemplated hereby. Accordingly, if these stockholders were to choose to act together, they could have a significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our

company or all or a significant percentage of our assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

We cannot assure you that the interests of our former directors and affiliated persons will coincide with the interests of the investors. So long as our former directors and affiliated persons collectively controls a significant portion of our common stock, these individuals and/or entities controlled by them, will continue to collectively be able to strongly influence or effectively control our decisions. Therefore, you should not invest in reliance on your ability to have any control over our company. See "*Principal Stockholders*," "*Certain Relationships and Related Party Transactions*" and "*Description of Capital Stock.*"

***We have broad discretion in how we use our cash, cash equivalents and marketable securities and may not use these financial resources effectively, which could affect our results of operations and cause our stock price to decline.***

Our management has considerable discretion in the application of our cash, cash equivalents and marketable securities. We intend to use the proceeds of this offering to repay existing indebtedness, for acquisitions, for working capital and other general corporate purposes, which may include the hiring of additional personnel and capital expenditures. We intend to use the net proceeds from this offering to repay borrowings outstanding under the Term Loan Agreement which matures on May 12, 2022 and bears an interest rate of LIBOR plus 850 basis points and the Base Rate plus 750 basis points; provided, that at such time that the Total Net Leverage Ratio is less than 5.50:1.00, the interest rate shall be LIBOR plus 700 basis points or the Base Rate plus 600 basis points. We also intend to use the net proceeds from this offering to paydown and refinance the balance of our borrowings under the Encina Credit Facility, among certain of our subsidiaries, Encina Business Credit, LLC and the other lenders party thereto, which matures on the earlier of (i) July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement, and bears variable interest rates based on certain U.S. and Canadian-based interest rates plus an applicable margin, which is determined by the average daily amount. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for these proceeds. We may use the cash, cash equivalents and marketable securities for purposes that do not yield a significant return or any return at all for our stockholders. In addition, pending their use, we may invest the financial resources from our securities offerings in a manner that does not produce income or that loses value.

***We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.***

We intend to allocate the net proceeds from this offering to our different areas of activity. Our management may not apply the net proceeds in ways that ultimately increase the value of your investment in our common stock. They will have broad discretion in the application of the use of proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. If we do not invest or apply the net proceeds from this offering in ways that enhance shareholder value, we may fail to achieve expected financial results, which could cause the price of our common stock to decline.

***Our common stock has no prior public market, and we cannot assure you that an active trading market will develop.***

Prior to this offering, there has not been a public market for our common stock. We have applied to list our common stock on The Nasdaq Capital Market (the "NASDAQ") and our application may not be approved or an active trading market in our common stock might not develop or continue. If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that was determined through negotiations with the representatives of the underwriters based upon an assessment of the valuation of our common stock and a book-building process. The public market may not agree with or accept this valuation, in which case you may not be able to sell your shares of our common stock at or above the initial offering price. In addition, if an active trading market does not develop, you may have difficulty selling your shares of our common stock at an attractive price, or at all. An inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to acquire other companies, products or technologies by using shares of our common stock as consideration.

***Future sales of a substantial number of shares of our common stock may depress the price of our shares.***

If any of our other stockholders sells or otherwise disposes of a large number of shares of our common stock, or if we issue a large number of shares of our common stock in connection with future acquisitions, financings, or other circumstances, the market price of shares of our common stock could decline significantly.

Subject to the lock-up agreements described below, all of the shares of our common stock sold in this offering will be freely tradable without restriction, except for shares of our common stock owned by any of our affiliates. Immediately after this offering, the public market for our common stock will include only the million shares of our common stock that are being sold in this offering, or million shares of our common stock if the underwriters exercise their option to purchase additional shares of our common stock from us in full.

Our directors, executive officers and holders of substantially all of our capital stock and securities convertible into our capital stock have entered into lock-up agreements in which they have agreed that they will not sell, directly or indirectly, any shares of our common stock for a period of 180 days from the date of this prospectus (subject to certain exceptions) without the prior written consent of J.P. Morgan Securities LLC and Stifel, Nicolaus & Company, Incorporated, or are subject to the market standoff provisions in the Registration Rights Agreement pursuant to which each holder shall not transfer, sell, offer, pledge, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, grant any right or warrant to purchase, lend or otherwise transfer or encumber any Registrable Securities (as defined in the Registration Rights Agreement) until the date that is six months after the effective date of this registration statement. See "*Shares Eligible for Future Sale*."

***The trading price of our common stock may be volatile, and you could lose all or part of your investment.***

The initial public offering price of our common stock will be determined through negotiation among us and the underwriters. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the trading price of our common stock following this offering is likely to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of stocks in our industry;
- changes in operating performance and stock market valuations of other companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new offerings or platform features;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;

- announced or completed acquisitions of businesses, services or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

As an emerging growth company, as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. To the extent we avail ourselves of these exemptions, our financial statements may not be comparable to companies that comply with such new or revised accounting standards. We cannot predict if investors will find our common stock less attractive because we will rely on these.

***Our Certificate of Incorporation provides that the doctrine of "corporate opportunity" will not apply with respect to any director or stockholder who is not employed by us or our affiliates.***

The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers or directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Our Certificate of Incorporation provides that the doctrine of "corporate opportunity" does not apply with respect to any director or stockholder who is not employed by us or our affiliates. Any director or stockholder who is not employed by us or our affiliates will therefore have no duty to communicate or present corporate opportunities to us, and will have the right to either hold any corporate opportunity for their (and their affiliates') own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us, including to any director or stockholder who is not employed by us or our affiliates.

As a result, certain of our stockholders, directors and their respective affiliates will not be prohibited from operating or investing in competing businesses. We therefore may find ourselves in competition with certain of our stockholders, directors or their respective affiliates, and we may not have knowledge of, or be able to pursue, transactions that could potentially be beneficial to us. Accordingly, we may lose a corporate opportunity or suffer competitive harm, which could negatively impact our business or prospects.

***Our security holders may be diluted by future issuances of securities by us.***

In the future, we may issue our authorized but previously unissued equity securities, including additional shares of capital stock or securities convertible into or exchangeable for our capital stock. Such issuance of additional securities would dilute the ownership stake in us held by our existing stockholders and could adversely affect the value of our securities.

We may also issue additional shares of our common stock, warrants or other securities that are convertible into or exercisable for the purchase of shares of our common stock in connection with hiring and/or retaining

employees or consultants, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock or other securities, for any reason including those stated above, may have a negative impact on the market price of our common stock. There can be no assurance that the issuance of any additional shares of common stock, warrants or other convertible securities may not be at a price (or exercise prices) below the price of the common stock offered hereby.

***If securities or industry analysts do not publish research or reports about our business, or they publish negative reports about our business, our share price and trading volume could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our Certificate of Incorporation or our Bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Notwithstanding the foregoing, the exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act or any other claim for which the federal courts have exclusive jurisdiction. Unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition, and results of operation.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. You can generally identify forward-looking statements by our use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," "will" or "should," or the negative thereof or other variations thereon or comparable terminology. In particular, statements about the markets in which we operate, including growth of our various markets, and statements about our expectations, beliefs, plans, strategies, objectives, prospects, assumptions or future events or performance contained in this prospectus under the headings "*Prospectus Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Business*" are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed in this prospectus under the headings "*Prospectus Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Business*," may cause our actual results, levels of activity, performance or events and circumstances to differ materially from any future results, levels of activity, performance or events and circumstances expressed or implied by these forward-looking statements. Some of the factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include:

- general economic and financial conditions, specifically in the United States and Canada;
- the adverse effects of public health epidemics, including the recent COVID-19 outbreak, on our business, results of operations and financial condition;
- federal and state legislation and regulations pertaining to the use and cultivation of cannabis in the United States, and such laws and regulations in Canada;
- the costs of being a public company;
- our ability to keep pace with technological advances;
- our ability to successfully identify appropriate acquisition targets, successfully acquire identified targets or successfully integrate the business of acquired companies;
- the success of our marketing activities;
- a disruption of breach of our information technology systems;
- our current level of indebtedness;
- our dependence on third parties;
- the performance of third parties on which we depend;
- the fluctuation in the prices of the products we distribute;
- competitive industry pressures;
- the consolidation of our industry;
- compliance with environmental, health and safety laws;
- our ability to obtain and maintain protection for our intellectual property and proprietary rights;
- our ability to protect and defend against litigation, including claims related to intellectual property and proprietary rights;
- product shortages and relationships with key suppliers;
- our ability to attract key employees;
- the volatility of the price of our common stock;

- the marketability of our common stock; and
- other risks and uncertainties, including those listed in "*Risk Factors*."

Moreover, we operate in a highly competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to new information, actual results or to changes in our expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC, as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of common stock in this offering will be approximately $ million, based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be $ million based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to repay existing indebtedness, for acquisitions, for working capital and other general corporate purposes, which may include the hiring of additional personnel and capital expenditures, to establish a public market for our common stock and to facilitate our future access to the public capital markets. We intend to use the net proceeds from this offering to repay borrowings outstanding under the Term Loan Agreement, among certain of our subsidiaries, Brightwood Loan Services, LLC and the other lenders party thereto, which matures on May 12, 2022 and bears an interest rate of LIBOR plus 850 basis points and the Base Rate (as defined therein) plus 750 basis points; provided, that at such time that the Total Net Leverage Ratio (as defined therein) is less than 5.50:1.00, the interest rate shall be LIBOR plus 700 basis points or the Base Rate plus 600 basis points. We also intend to use the net proceeds from this offering to paydown and refinance our borrowings under the Encina Credit Facility, among certain of our subsidiaries, Encina Business Credit, LLC and the other lenders party thereto, which matures on the earlier of (i) July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement, and bears variable interest rates based on certain U.S. and Canadian-based interest rates plus an applicable margin, which is determined by the average daily amount available for borrowing under the Encina Credit Facility for an applicable period. See "*Description of Our Indebtedness*" for more information.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1.0 million shares in the number of shares offered by us, together with a concurrent $1.00 increase in the assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, would increase the net proceeds to us from this offering by approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Conversely, a decrease of 1.0 million shares in the number of shares offered by us together with a concurrent $1.00 decrease in the assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, would decrease the net proceeds to us from this offering by approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

## DIVIDEND POLICY

We have no direct operations and no significant assets other than ownership of capital stock and equity interests of our subsidiaries. Because we conduct operations through our subsidiaries, we depend on our subsidiaries for dividends and other payments to generate the funds necessary to meet our financial obligations. Legal and contractual restrictions in our credit facility and other agreements which may govern future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries might not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations.

We have never declared nor paid any cash dividends to holders of our common stock. Except as described herein, we currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any dividends to holders of our common stock in the foreseeable future, but will review this policy as circumstances dictate. The declaration and payment of all future dividends to holders of our common stock, if any, will be at the sole discretion of our board of directors, which retains the right to change our dividend policy at any time. In addition, our ability to pay dividends is currently restricted by the terms of the Encina Credit Facility and the Term Loan Agreement and, in addition, future debt or other financings, if any, may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our securities.

## CAPITALIZATION

The following table sets forth cash and cash equivalents, as well as our capitalization, as of September 30, 2020 as follows:

- on an actual basis;
- on a pro forma basis, as adjusted (i) for the automatic conversion of our Series A Preferred Stock into an aggregate of shares of common stock, including shares of common stock if, at our option, we choose to pay accrued dividends in-kind and (ii) for the repayment of the PPP loan using cash on the balance sheet; and
- on a pro forma as adjusted basis giving further effect to the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and the notes thereto, and the sections titled "*Selected Consolidated Financial and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" that are included elsewhere in this prospectus.

| | As of September 30, 2020 | | |
|---|---|---|---|
| | Actual | Pro forma | Pro forma as adjusted |
| | (In thousands, except per share amounts) | | |
| Cash, cash equivalents and restricted cash | $ 32,855 | | |
| Long term debt including current portion[(a)]: | | | |
| Term loan | $ 76,292 | | |
| Line of credit[(b)] | 32,494 | | |
| PPP loan | 3,274 | | |
| Other | 1,369 | | |
| Total long term debt | 113,429 | | |
| Convertible preferred stock, $0.0001 par value, 50,000,000 shares authorized; actual: 7,725,045[(c)] shares issued and outstanding; pro forma and pro forma as adjusted: 0 shares issued and outstanding | 27,584[(d)] | — | — |
| Stockholders' equity | | | |
| Common stock, $0.0001 par value, 300,000,000 shares authorized; actual: 69,745,562 shares issued and outstanding; pro forma: [ ] shares issued and outstanding; pro forma as adjusted: [ ] shares issued and outstanding | 7 | [ ] | [ ][(d)] |
| Additional paid-in capital | 154,594 | [ ] | [ ][(d)] |
| Accumulated other comprehensive loss | (390) | | |
| Accumulated deficit | (144,534) | | |
| Total stockholders' equity | 9,677 | [ ] | [ ] |
| Total capitalization | $ 150,690 | [ ] | [ ] |

(a) Long-term debt in the capitalization table excludes unamortized deferred financing costs to be consistent with amounts typically presented in capitalization. The following table reconciles the outstanding principal to the net carrying amount of long term debt (amounts in thousands) in the balance sheet as of September 30, 2020:

| | Outstanding principal | Deferred financing costs | Net balance |
|---|---|---|---|
| Term loan | $ 76,292 | $(1,035) | $ 75,257 |
| Line of credit[(b)] | 32,494 | (568) | 31,926 |
| PPP loan | 3,274 | | 3,274 |
| Other | 1,369 | | 1,369 |
| Total long term debt | $113,429 | $(1,603) | $111,826 |

(b) As of September 30, 2020, we have borrowings outstanding under the Encina Credit Facility of approximately $32.5 million, excluding unamortized deferred financing costs, with approximately $3.6 million available for future borrowings.

(c) Excludes shares of common stock, which we have the option to issue for accrued dividends on the Series A Preferred Stock rather than paying in cash.

(d) On December 31, 2019, we entered into a securities purchase agreement with certain investors named therein, pursuant to which we issued and sold 7,007,429 shares of our Series A Preferred Stock in December 2019 and 717,616 shares of our Series Preferred A Stock in February 2020. We received gross proceeds of approximately $27 million (which includes proceeds of approximately $8 million raised from the issuances of convertible unsecured subordinated promissory notes in September and October 2019 which converted into shares of our Series A Preferred Stock) in connection with the Preferred Stock Offering, before deducting fees and related offering expenses.

(e) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the amount of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by $ , assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by $ , assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

If the underwriters' option to purchase additional shares of our common stock from us were exercised in full, pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, total capitalization and shares outstanding as of September 30, 2020 would be $ , $ , $ , $ and , respectively.

The number of shares of our common stock outstanding after this offering is based on shares of common stock outstanding as of September 30, 2020, including shares of common stock issuance upon conversion of the Series A Preferred Stock, which occurs automatically upon consummation of this offering, assuming a public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and excludes:

- 13,100,069 shares of common stock issuable upon exercise of outstanding warrants to purchase our common stock at a weighted average exercise price of $4.78 per share;
- 2,861,900 shares of common stock underlying options to purchase our common stock at a weighted average exercise price of $2.55 per share;
- 8,893,346 shares of common stock underlying restricted stock awards which have not yet vested;
- 7,700,000 shares of common stock reserved for future issuance under our 2020 Equity Incentive Plan;
- shares of common stock, which we have the option to issue for accrued dividends on the Series A Preferred Stock rather than paying in cash; and
- no exercise by the underwriters of their option to purchase up to an additional shares of our common stock from us.

## DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value (deficit) per share of our common stock immediately after this offering.

As of September 30, 2020, our historical net tangible book value deficit was $ , or $ per share of common stock, based on shares of our common stock outstanding. Our historical net tangible book value deficit per share is equal to our total tangible assets, less total liabilities, divided by the number of outstanding shares of our common stock.

As of September 30, 2020, our pro forma net tangible book value was $ million, or $ , as adjusted for the conversion of our Series A Preferred Stock.

After giving further effect to the sale of shares of common stock in this offering at the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2020, would have been approximately $ million, or approximately $ per share. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $ per share to new investors purchasing shares of common stock in this offering.

Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this dilution (without giving effect to any exercise by the underwriters of their option to purchase additional shares):

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ |
| Historical net tangible book value deficit per share as of September 30, 2020 | $ | |
| Increase in pro forma net tangible book value per share attributable to new investors participating in this offering | | |
| Pro forma as adjusted net tangible book value per share after giving effect to this offering and as adjusted for the automatic conversion of our Series A Preferred Stock | | |
| Dilution per share to new investors participating in this offering | | $ |

The dilution information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our pro forma as adjusted net tangible book value by $ per share and the dilution to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1.0 million shares in the number of shares offered by us would increase the pro forma as adjusted net tangible book value by $ per share and decrease the dilution to new investors by $ per share, assuming the assumed initial public offering price of $ per share remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. Similarly, each decrease of 1.0 million shares offered by us would decrease the pro forma as adjusted net tangible book value by $ per share and increase the dilution to new investors by $ per share, assuming the assumed initial public offering price of $ per share remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

If the underwriters exercise their option to purchase additional shares of our common stock in full in this offering, the pro forma as adjusted net tangible book value after the offering would be $ per share, the increase in pro forma net tangible book value per share to existing stockholders would be $ per share

and the dilution per share to new investors would be $ per share, in each case assuming an initial public offering price of $ per share.

The following table summarizes as of September 30, 2020, on the pro forma as adjusted basis as described above, the differences between the number of shares of common stock purchased from us, the total consideration and the weighted-average price per share paid by existing stockholders (assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and by investors participating in this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses, at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus).

| | Shares Purchased | | Total Consideration | | Weighted-Average Price Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| Existing stockholders | | % | $ | % | $ |
| New public investors | | | | | |
| Total | | 100.0% | $ | 100.0% | |

The table above assumes no exercise of the underwriters' option to purchase additional shares in this offering. If the underwriters exercise their option to purchase additional shares in full, the number of shares of our common stock held by existing stockholders would be reduced to % of the total number of shares of our common stock outstanding after this offering and the number of shares of common stock held by new investors participating in the offering would be increased to % of the total number of shares of our common stock outstanding after this offering.

The foregoing tables and calculations (other than historical net tangible book value deficit calculation) are based on shares of common stock outstanding as of September 30, 2020, including shares of common stock issued upon conversion of the Series A Preferred Stock, which occurs automatically upon consummation of this offering, assuming a public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and excludes:

- 13,100,069 shares of common stock issuable upon exercise of outstanding warrants to purchase ourcommon stock at a weighted average exercise price of $4.78 per share;
- 2,861,900 shares of common stock underlying options to purchase our common stock at a weightedaverage exercise price of $2.55 per share;
- 8,893,346 shares of common stock underlying restricted stock awards which have not yet vested
- 7,700,000 shares of common stock reserved for future issuance under our 2020 Equity Incentive Plan;
- shares of common stock, which we have the option to issue for accrued dividends on the Series A Preferred Stock rather than paying in cash; and
- no exercise by the underwriters of their option to purchase up to an additional shares of ourcommon stock from us.

To the extent that any options are exercised or other securities are issued under our equity incentive plans, or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected of consolidated financial and other data for the years ended December 31, 2019 and 2018 and the nine months ended September 30, 2020 and 2019. We have derived the following consolidated financial and other data for the years ended December 31, 2019 and 2018 from our audited consolidated financial statements and notes thereto included elsewhere in this prospectus. We have derived the following consolidated financial and other data for the nine months ended September 30, 2020 and 2019 from our unaudited interim condensed consolidated financial statements and notes thereto included elsewhere in this prospectus. Our historical results are not necessarily indicative of future results of operations and the results of operations for the nine months ended September 30, 2020 are not necessarily indicative of results for the full year. You should read the following financial information together with the information under "*Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the notes thereto, and our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus.

| | Nine months ended September 30, | | Years ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 |
| | (In thousands, except per share amounts) | | | |
| **Income statement data for period ended:** | | | | |
| Net sales | $254,763 | $181,338 | $235,111 | $211,813 |
| Gross profit | 47,624 | 21,576 | 27,086 | 24,070 |
| Selling, general and administrative | 37,084 | 30,759 | 43,784 | 42,229 |
| Impairment, restructuring and other[(a)] | 276 | 3,589 | 10,035 | 7,169 |
| Income (loss) from operations | 10,264 | (12,772) | (26,733) | (25,328) |
| Interest expense | 7,858 | 9,789 | 13,467 | 11,606 |
| Net income (loss)[(b)] | 2,125 | (22,372) | (40,083) | (32,892) |
| Net income (loss) attributable to common stockholders[(b)] | 135 | (22,372) | (40,083) | (32,892) |
| Net income (loss) per share attributable to common stockholders – diluted[(c)] | $ 0.00 | $ (0.32) | $ (0.57) | $ (0.69) |
| Net income (loss) per common share attributable to common stockholders on pro forma basis – diluted[(d)] | [ ] | n/a | [ ] | n/a |
| **Cash flows (used in) provided by:** | | | | |
| Operating activities | $ (7,777) | $ (11,520) | $ (13,302) | $ 4,437 |
| Investing activities | 1,328 | (3,572) | (3,818) | (3,312) |
| Financing activities | 6,408 | 4,663 | 19,900 | 25,516 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (2) | (8,082) | 4,934 | 25,717 |
| **Other data:** | | | | |
| Adjusted EBITDA[(e)] | $ 16,120 | $ (3,812) | $ (9,495) | $ (7,249) |
| Adjusted EBITDA as a percent of net sales[(e)] | 6.3% | -2.1% | -4.0% | -3.4% |
| Gross profit margin (gross profit as % of net sales) | 18.7% | 11.9% | 11.5% | 11.4% |
| Capital expenditures[(f)] | 700 | 541 | 768 | 1,343 |
| Federal net operating loss carryforwards | n/a | n/a | 58,000 | 35,000 |

| | As of September 30, 2020 | As of December 31, | |
|---|---|---|---|
| | | 2019 | 2018 |
| | (In thousands) | | |
| **Balance sheet data as of end of period:** | | | |
| Cash, cash equivalents and restricted cash | $ 32,855 | $ 32,857 | $ 27,923 |
| Working capital[(g)] | 52,126 | 40,547 | 56,728 |
| Total assets[(h)] | 218,571 | 185,651 | 174,411 |
| Long-term debt[(i)] | 111,826 | 107,932 | 100,520 |
| Total liabilities | 181,310 | 154,471 | 126,867 |

| | As of September 30, 2020 | As of December 31, 2019 | 2018 |
|---|---|---|---|
| | | (In thousands) | |
| Convertible preferred stock[j] | 27,584 | 21,802 | — |
| Convertible preferred stock on a pro forma basis[k] | [ ] | | |
| Stockholders' equity | 9,677 | 9,378 | 47,544 |
| Stockholders' equity on a pro forma basis[k] | [ ] | | |

(a) Impairment, restructuring and other expenses primarily relate to impairment on intangible assets; professional fees related to consultation, due diligence and assistance to research various capitalization strategies related to alternative debt and equity refinancing structures; severance costs; and, costs to early terminate several leases. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Impairment, restructuring and other."*

(b) Net income (loss) and net income (loss) attributable to common stockholders for the year ended December 31, 2018 reflects a reduction from net loss for an allocation to a non-controlling interest. See our "*Consolidated statements of operations*" for the year ended December 31, 2018 in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(c) Net loss per share attributable to common stockholders for 2018 represents basic and diluted net loss per share attributable to common stockholders, and assumes the non-controlling interest converted to a controlling interest at issuance, and accordingly, its share of the net loss and the shares into which it converted are included in the calculations; see Note 4, *Basis of preparation and significant accounting policies* in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(d) Net income (loss) per share attributable to common stockholders on a pro forma basis – diluted gives effect to the automatic conversion of all of our outstanding shares of Series A Preferred Stock into shares of common stock which will occur automatically upon the consummation (loss) of this offering. For an explanation of the calculations of our pro forma diluted net income per share attributable to common stockholders, see Note 3, *Net income (loss) per common share ("EPS")* to our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus, and Note 4, *Basis of preparation and significant accounting policies*, under *"Net loss per common share (EPS)"* in our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(e) For information regarding our use of adjusted EBITDA and its reconciliation to net income (loss) and adjusted EBITDA as a percent of net sales, see "*Summary Consolidated Financial and Other Data*" under "*Non-GAAP Financial Measures*" elsewhere in this prospectus.

(f) Capital expenditures relate to purchases of property, equipment and computer software.

(g) Working capital represents current assets less current liabilities.

(h) Total assets and total liabilities for 2020 and 2019 include operating lease right-of-use assets and lease liabilities, respectively, upon the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842*, Leases*, adopted as of January 1, 2019.

(i) Long-term debt represents current and long-term portions of interest bearing debt, net of issuance costs.

(j) Convertible preferred stock reflects the issuance of Series A Preferred Stock in late 2019 and early 2020. See "*Prospectus Summary — Recent Transactions — Preferred Stock Offering"* and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

(k) Convertible preferred stock on a pro forma basis and stockholders' equity on a pro forma basis as of September 30, 2020, give effect to the automatic conversion of all of our outstanding shares of Series A Preferred Stock into shares of common stock which will occur automatically upon the consummation of this offering. For an explanation of the calculations, see Note 2, *Basis of presentation and significant accounting policies,* under "*Unaudited pro forma shareholders' equity*" to our unaudited interim condensed consolidated financial statements and the notes thereto included elsewhere in this prospectus.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operations and financial condition. You should read this analysis in conjunction with our audited and unaudited consolidated financial statements and the notes contained elsewhere in this prospectus. This discussion and analysis contains statements of a forward-looking nature relating to future events or our future financial performance. These statements are only predictions, and actual events or results may differ materially. In evaluating such statements, you should carefully consider the various factors identified in this prospectus, which could cause actual results to differ materially from those expressed in, or implied by, any forward-looking statements, including those set forth in "Risk Factors" in this prospectus. See "Special Note Regarding Forward-Looking Statements."*

### Company Overview

We are a leading independent distributor and manufacturer of controlled environment agriculture ("CEA", principally hydroponics) equipment and supplies, including a broad portfolio of our own innovative portfolio of proprietary branded products. We primarily serve the United States and Canadian markets, and believe we are one of the leading competitors by market share in these markets in an otherwise highly fragmented industry. For over 40 years, we have helped growers make growing easier and more productive. Our mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency and speed in their grow projects. For the trailing twelve months ended September 30, 2020, we had net sales of $308.5 million; from 2005 to 2019, we generated a net sales compound annual growth rate ("CAGR") of approximately 16%.

Hydroponics is the farming of plants using soilless growing media and often artificial lighting in a controlled indoor or greenhouse environment. Hydroponics is the primary category of CEA and we use the terms CEA and hydroponics interchangeably. Our products are used to grow, farm and cultivate cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, CO2, light intensity spectrum, nutrient concentration and pH. Through CEA, growers are able to be more efficient with physical space, water and resources, while enjoying year-round and more rapid grow cycles as well as more predictable and abundant grow yields, when compared to other traditional growing methods.

We reach commercial farmers and consumers through a broad and diversified network of over 2,000 wholesale customer accounts, who we connect with primarily through our proprietary eCommerce marketplace. Over 80% of our net sales are into the specialty hydroponic retailers, through which growers are able to enjoy specialized merchandise assortments and knowledgeable staff. We also distribute our products across the United States and Canada to a diversified range of retailers of commercial and home gardening equipment and supplies that include garden centers, hardware stores, eCommerce retailers, commercial greenhouse builders, and commercial resellers.

### Recent Developments

#### *Effects of Coronavirus on Our Business*

The World Health Organization recognized COVID-19 as a public health emergency of international concern on January 30, 2020 and as a global pandemic on March 11, 2020. Public health responses have included national pandemic preparedness and response plans, travel restrictions, quarantines, curfews, event postponements and cancellations and closures of facilities including local schools and businesses. The global pandemic and actions taken to contain COVID-19 have adversely affected the global economy and financial markets.

In response to the COVID-19 pandemic, we implemented business continuity plans designed to address the impact of the COVID-19 pandemic on our business, such as restrictions on non-essential business travel, the institution of work-from-home practices and the implementation of strategies for workplace safety at our facilities. In March 2020, the majority of the employees at our headquarters transitioned to working remotely. For several weeks following the initial outbreak of COVID-19, we experienced a material impact to our supply

chain that inhibited growth and results of operations. While we are not currently experiencing material adverse impacts to our supply chain, we intend to continue to source many products from China. It is difficult to predict the extent to which COVID-19 may continue to spread. As of the date of this prospectus, manufacturers in China are generally back in operation; however, a second wave of the COVID-19 pandemic could result in the re-closure of factories in China. Quarantine orders and travel restrictions within the U.S. and other countries may also adversely impact our supply chains, the manufacturing of our own products and our ability to obtain necessary materials. Consequently, we may be unable to obtain adequate inventory to fill purchase orders or manufacture our own products, which could adversely affect our business, results of operations and financial condition. Furthermore, potential suppliers or sources of materials may pass the increase in sourcing costs due to the COVID-19 pandemic to us through price increases, thereby impacting our potential future profit margins.

Our customers reside in countries, primarily the U.S. and Canada, that are currently affected by the COVID-19 pandemic. Many of these customers have experienced shelter-in-place measures in attempts to contain the spread of COVID-19, including general lockdowns, closure of schools and non-essential businesses, bans on gatherings and travel restrictions. Although we cannot precisely quantify in absolute or relative terms, our accelerated rate of growth in net sales for the six months ended September 30, 2020 correlates with shelter-in-place orders issued in many locations in March 2020 in response to the COVID-19 pandemic. Our sales growth for the six months ended September 30, 2020 was approximately 50% higher than the same period in 2019. A portion of our net sales during this period could be due to pull-through demand for our products due to higher consumption of CEA products from individuals spending more time at home due to shelter-in-place measures. Although uncertainty created by the COVID-19 pandemic remains, and various state budgets remain under economic pressure creating a greater chance of further cannabis legalization, we cannot assure you that such a rate of growth will continue.

Our business has remained resilient during the COVID-19 pandemic. As of September 30, 2020, our manufacturing and distribution operations are viewed as essential services and continue to operate. Our key suppliers, retailers and resellers have been designated as essential services and remain open at this time; however, in certain places they are operating under reduced hours and capacity limitations. The majority of U.S. and Canadian cannabis businesses have been designated as essential by U.S. State and Canadian government authorities.

The extent to which the COVID-19 pandemic will ultimately impact our business, results of operations, financial condition and cash flows depends on future developments that are highly uncertain, rapidly evolving and difficult to predict at this time. Depending on the length and severity of COVID-19, we may experience an increase or decrease in customer orders driven by volatility in consumer shopping and consumption behavior. While we are not experiencing material adverse impacts at this time, given the global economic slowdown, the overall disruption of global supply chains and distribution systems and the other risks and uncertainties associated with the COVID-19 pandemic, our business, financial condition, results of operations and growth prospects could be materially and adversely affected. While we believe that we are well positioned for the future as we navigate the crisis and prepare for an eventual return to a more normal operating environment, we continue to closely monitor the COVID-19 pandemic as we evolve our business continuity plans and response strategy.

***Recent Transactions***

*PPP Loan*

On April 7, 2020, we entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $3.3 million payable to JP Morgan Chase, N.A. (the "PPP Lender") evidencing a PPP loan from the SBA (the "PPP Loan"). The PPP Loan will bear interest at a rate of 1% per annum. No payments will be due on the PPP Loan during a ten month deferral period commencing on April 7, 2020. Commencing one month after the expiration of the deferral period, and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, we are obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan by the maturity date. The maturity date is April 7, 2022. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of the

PPP Lender to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon our request to the extent that PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll, rent, and utilities. The PPP Lender may forgive interest accrued on any principal if the SBA pays the interest. While we believe we have used the PPP Loan proceeds in a manner consistent with obtaining forgiveness, we intend to repay the PPP Loan in connection with the consummation of the offering contemplated hereby.

*Preferred Stock Offering*

On December 31, 2019, we entered into a securities purchase agreement with certain investors named therein, pursuant to which we issued and sold, in a private placement offering between December 2019 and February 2020, 7,725,045 shares of our Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), at an offering price of $3.50 (the "Preferred Stock Offering"). We received gross proceeds of approximately $27 million (which includes proceeds of approximately $8 million raised from the issuances of convertible unsecured subordinated promissory notes issued in September and October 2019 which converted into shares of our Series A Preferred Stock) in connection with the Preferred Stock Offering, before deducting fees and related offering expenses. Our Chief Executive Officer, Mr. Toler, purchased 1,428,572 shares of our Series A Preferred Stock. Upon the consummation of the offering contemplated hereby, the Series A Preferred Stock will automatically convert into shares of our common stock. The terms of the Series A Preferred Stock are more fully described under "*Description of Capital Stock*" in our consolidated financial statements and notes thereto included elsewhere in this prospectus.

*Encina Refinancing*

In July 2019, Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "Encina Obligors") replaced the BofA Credit Facility with the Encina Credit Facility through a certain Loan and Security Agreement whereby the Encina Obligors obtained a revolving asset-based loan commitment in the maximum amount of $45 million (inclusive of a limit of up to $15 million of borrowings for the Canadian Borrowers and a swingline facility of up to $2 million), subject to applicable borrowing base availability. The amount of the Encina Credit Facility is limited to the borrowing base (primarily calculated based on eligible accounts receivable and inventory), subject to certain reserves and limitations. The Encina Credit Facility is due on the earlier of (i) July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement. Interest, due monthly, is charged at LIBOR or a base rate plus an applicable margin ranging between 3.75% to 5.50% per annum determined based on the fixed charge coverage ratio calculated over an applicable time period. A fee of 0.50% per annum is charged for available but unused borrowings, as defined. Interest, fees and other monetary obligations owing under the Encina Credit Facility may, in the lender's discretion, be added to principal. The Encina Credit Facility is secured by working capital assets and a second lien on non-working capital assets and requires compliance with various restrictive covenants and financial ratios.

The Encina Credit Facility was amended pursuant the First and Second Amendments in the fall of 2019 which changed the computation of the line limitation but did not change the maximum amount of the credit facility of $45 million. The other change was a requirement that Hydrofarm Holdings Group Inc., the ultimate parent of the Encina Obligors, make a capital infusion to the Encina Obligors of $300,000 for working capital. In April 2020, a third amendment to the Encina Credit Facility replaced the existing "fixed charge coverage ratio/minimum excess availability" financial covenant with an amended "availability block," and increased the "inventory sublimit." In April 2020, May 2020 and September 2020, the Encina Credit Facility was amended by the third, fourth, fifth and sixth amendments, which (i) replaced the existing "fixed charge coverage ratio/minimum excess availability" financial covenant with an amended "availability block" (ii) increased the "inventory sublimit," (iii) provided for permitted indebtedness related to the PPP Loan, and (iv) increased permitted capital expenditures during any fiscal year to $2 million.

The Encina Credit Facility is more fully described in Note 12, *Debt* under *Revolving asset-back credit facilities* in the notes to our consolidated financial statements and Note 7, *Debt* under *Revolving asset-back credit facilities* in the notes to our unaudited interim condensed consolidated financial statements.

**Components of Results of Operations**

***Net sales***

We generate net sales from the distribution and manufacturing of hydroponic equipment and supplies to our customers. The hydroponic equipment and supplies that we sell include consumable products, such as growing media, nutrients and supplies that require regular replenishment and durable products, such as lighting and hydroponic equipment. Our scale allows us to provide delivery and service capabilities to a highly diverse group of customers across the U.S. and Canada. We do not sell directly to farmers but rather our customer base consists of specialty hydroponic retailers, garden centers, eCommerce and greenhouse suppliers.

We periodically offer sales incentives to our customers, including early pay discounts, volume-based rebates, temporary price reductions, advertising credits and other trade activities. Net sales reflect our gross sales less sales incentives which are estimated and recorded at the time of sale plus amounts billed to customers for shipping and handling costs. We anticipate that sales incentives could impact our net sales and that changes in such promotional activities could impact period-over-period results.

***Cost of goods sold***

Cost of goods sold consists primarily of material costs, inbound and outbound freight, direct labor costs primarily for production and warehouse personnel and depreciation and amortization of warehouse improvements and equipment. We expect our cost of goods sold to increase in absolute dollars in conjunction with our growth. However, we expect that, over time, cost of goods sold will decrease as a percentage of net revenue as a result of the scaling of our business including a higher proportion of the amount of proprietary and exclusive branded products that we sell.

***Selling, general and administrative***

Selling, general and administrative expenses consists primarily of marketing and advertising, stock-based compensation, depreciation and amortization of all other assets and other selling, general and administrative costs, including but not limited to salaries, benefits, bonuses and professional fees. We expect selling, general and administrative expenses to increase in absolute dollar terms as we scale our operations to meet increased demand for our products and operate as a public company with increased costs associated with insurance, finance, legal and accounting functions; however, we also expect that the significant increase in our scale will result in selling, general and administrative expenses as a percentage of net sales decreasing over time.

**Results of Operations Data**

The results of operations data in the following tables for the years ended December 31, 2019 and 2018 have been derived from the audited consolidated financial statements included elsewhere in this prospectus. The results of operations data for the nine months ended September 30, 2020 and 2019 have been derived from the unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

**Results of Operations — Comparison of Nine Months Ended September 30, 2020 and 2019**

The following table sets forth our unaudited interim condensed consolidated statements of operations for the nine months ended September 30, 2020 and 2019, including amounts and percentages of net sales for each period and the period-to-period change in dollars and percent (amounts in thousands):

| | Nine months ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | Period change | |
| Net sales | $254,763 | 100.0% | $181,338 | 100.0% | $73,425 | 40.5% |
| Cost of goods sold | 207,139 | 81.3% | 159,762 | 88.1% | 47,377 | 29.7% |
| **Gross profit** | 47,624 | 18.7% | 21,576 | 11.9% | 26,048 | 120.7% |
| Operating expenses: | | | | | | |
| Selling, general and administrative | 37,084 | 14.6% | 30,759 | 17.0% | 6,325 | 20.6% |
| Impairment, restructuring and other | 276 | 0.1% | 3,589 | 2.0% | (3,313) | -92.3% |
| **Income (loss) from operations** | 10,264 | 4.0% | (12,772) | -7.1% | 23,036 | -180.4% |
| Interest expense | (7,858) | -3.1% | (9,789) | -5.4% | 1,931 | -19.7% |
| Loss on debt extinguishment | — | 0.0% | (391) | -0.2% | 391 | -100.0% |
| Other income, net | 103 | 0.0% | 334 | 0.2% | (231) | -69.2% |
| **Income (loss) before tax** | 2,509 | 0.9% | (22,618) | -12.5% | 25,127 | -111.1% |
| Income tax (expense) benefit | (384) | -0.2% | 246 | 0.1% | (630) | -256.1% |
| **Net income (loss)** | $ 2,125 | 0.7% | $ (22,372) | -12.4% | $24,497 | -109.5% |

***Net sales***

Net sales for the nine months ended September 30, 2020 increased $73.4 million or 40.5% compared to the same period in 2019. The increase in net sales was primarily due to a 33.8% increase in volume of products sold and a 6.7% increase in price of products sold. The increase in volume of products sold was primarily related to (i) higher demand from the end-markets across numerous U.S. states, including but not limited to Michigan, Oklahoma and California, and Canada and (ii) higher demand for our proprietary and preferred branded products which grew at a faster pace than our distributed brands during the period. The increase in price was primarily related to list price increases and more effective sales incentives.

Although we cannot precisely quantify in absolute or relative terms, our accelerated rate of growth in net sales for the six months ended September 30, 2020 correlates with shelter-in-place orders issued in March 2020 in response to the COVID-19 pandemic. A portion of our net sales during this period could be related to pull-through demand for our products due to higher consumption of CEA products from individuals spending more time at home due to shelter-in-place measures. Although uncertainty created by the COVID-19 pandemic remains, and various state budgets remain under economic pressure, creating a greater chance of further cannabis legalization, we cannot assure you that such growth will continue.

***Gross profit***

Gross profit for the nine months ended September 30, 2020 increased $26.0 million or 120.7% compared to the same period in 2019. The increase in gross profit was primarily related to (i) the aforementioned increase in net sales and (ii) a significant increase in our gross profit margin percentage (gross profit as a percent of net sales). Our gross profit margin percentage increased to 18.7% for the nine months ended September 30, 2020 from 11.9% in the same period in 2019. The higher gross profit margin percentage is primarily due to a more favorable sales mix of proprietary and exclusive branded products, which typically carry a higher gross margin and lower freight cost.

***Selling, general and administrative expenses***

Selling, general and administrative expenses for the nine months ended September 30, 2020 increased by $6.3 million, or 20.6%, compared to the same period in 2019, but decreased as a percentage of sales to 14.6%

from 17.0% due to economies of scale as our net sales grew faster than our selling, general and administrative expenses. The $6.3 million increase in selling, general and administrative expenses is primarily related to higher compensation costs (an increase of $2.9 million), consulting fees (an increase of $3.1 million) and audit fees (an increase of $1.2 million). To support our long-term growth plan and our initial public offering ("IPO"), we undertook several initiatives in mid-to-late 2019 and early 2020 which resulted in higher compensation costs, consulting fees and audit/legal fees, including, but not limited to, the hiring of executives such as our new Chief Executive Officer, President and Chief Financial Officer and engaging new third parties such as an IT consulting firm, a new auditor, and several accounting and audit-related consultants.

We have granted restricted stock units to certain officers, directors and their affiliates which have several vesting conditions including a performance-based vesting requirement (defined as a liquidity event, including an initial public offering). A liquidity event, such as this offering, would trigger a significant performance-based stock compensation charge in the quarter during which this offering is completed; for more information, see Note 9, *Stock-based compensation*, to our unaudited interim condensed consolidated financial statements and notes thereto for the nine months ended September 30, 2020 included elsewhere in this prospectus.

***Impairment, restructuring and other***

During the nine months ended September 30, 2019, we incurred costs totaling $2.1 million related to corporate restructuring and severance payments, and $1.5 million primarily related to various SEC filings, lender financial advisor oversight, and private placements of equity and refinancing initiatives, as we restructured and recapitalized ourselves for growth in 2020. During the nine months ended September 30, 2020, we incurred $0.3 million in costs primarily related to the anticipated IPO.

***Interest expense***

Interest expense decreased by $1.9 million or 19.7% for the nine months ended September 30, 2020 compared to the same period in the prior year. The average balance of our interest bearing debt for the nine months ended September 30, 2020 increased by $2.5 million compared to the same period in the prior year. This increase was more than offset by a decrease in the effective interest rate on the Term Loan from approximately 13.1% for the nine months ended September 30, 2019 to an effective interest rate of approximately 10.2% for the same period in 2020 due to a reduction of the Term Loan interest rate margin effective January 1, 2020 from LIBOR plus 10.0% to LIBOR plus 8.5% along with a reduction of average LIBOR from 2.5% to 1.1%. The decrease in interest costs was also slightly impacted by a decrease in the effective interest rate on our revolving credit facility from approximately 9.9% for the nine months ended September 30, 2019 to approximately 9.3% compared to the same period in 2020.

***Loss on debt extinguishment***

Loss on debt extinguishment in the nine months ended September 30, 2019 resulted from the write-off of unamortized deferred financing costs of $0.4 million when the BofA Credit Facility was refinanced with the Encina Credit Facility.

***Income tax expense***

Income tax expense for the nine months ended September 30, 2020 generally reflects minimum U.S. state and Canadian provincial taxes, which do not fluctuate with pre-tax income or loss.

The net income tax benefit for the nine months ended September 20, 2019 is comprised of two amounts: (i) minimum U.S. state and Canadian provincial taxes which do not fluctuate with pre-tax income or loss; and, (ii) a deferred income tax benefit of $0.4 million primarily generated from the tax consequence of the impairment write-off which is not expected to recur.

**Results of Operations — Comparison of Years Ended December 31, 2019 and 2018**

The following table sets forth our consolidated statements of operations for the years ended December 31, 2019 and 2018, including amounts and percentages of net sales for each year and the year-to-year change in dollars and percent (amounts in thousands):

| | 2019 | | 2018 | | Year to year change | |
|---|---|---|---|---|---|---|
| Net sales | $235,111 | 100.0% | $211,813 | 100.0% | $23,298 | 11.0% |
| Cost of goods sold | 208,025 | 88.5% | 187,743 | 88.6% | 20,282 | 10.8% |
| **Gross profit** | 27,086 | 11.5% | 24,070 | 11.4% | 3,016 | 12.5% |
| Operating expenses: | | | | | | |
| Selling, general and administrative | 43,784 | 18.6% | 42,229 | 19.9% | 1,555 | 3.7% |
| Impairment, restructuring and other | 10,035 | 4.3% | 7,169 | 3.4% | 2,866 | 40.0% |
| **Loss from operations** | (26,733) | -11.4% | (25,328) | -11.9% | (1,405) | 5.5% |
| Interest expense | (13,467) | -5.7% | (11,606) | -5.5% | (1,861) | 16.0% |
| Loss on debt extinguishment | (679) | -0.3% | — | 0.0% | (679) | — |
| Other income, net | 105 | 0.0% | 995 | 0.5% | (890) | -89.4% |
| **Loss before tax** | (40,774) | -17.4% | (35,939) | -16.9% | (4,835) | 13.5% |
| Income tax benefit | 691 | 0.3% | 397 | 0.2% | 294 | 74.2% |
| **Net loss** | (40,083) | -17.0% | (35,542) | -16.8% | (4,541) | 12.8% |
| Net loss attributable to non-controlling interest | — | | (2,650) | | | |
| Net loss attributable to Hydrofarm Holdings Group, Inc. | $ (40,083) | | $ (32,892) | | | |

***Net sales***

Net sales for the year ended December 31, 2019 increased $23.3 million or 11.0% compared to the prior year. The increase was primarily due to an increase in the volume sold during the period. For the year ended December 31, 2019, we realized an approximate 11.6% increase in volume offset by a 0.6% decrease in price. Our sales in certain non-U.S. markets were impacted by IT system challenges experienced during the integration of our Canadian businesses, an issue we do not expect to continue in 2020. The increase in U.S. volume sold was primarily related to (i) higher demand from the end-markets across numerous U.S. states, including but not limited to Oklahoma, Michigan and California and (ii) higher demand for our proprietary and preferred branded products which grew at a faster pace than our distributed brands for the year ended December 31, 2019.

***Gross profit***

Gross profit for the year ended December 31, 2019 increased $3.0 million or 12.5% compared to the prior year. The increase in gross profit was primarily related to (i) the 11.0% increase in net sales and (ii) a small increase in gross profit margin percentage (gross profit as a percent of net sales) associated with a more favorable mix of proprietary and exclusive branded products as compared to the prior year. This increase was partially offset by the year-over-year decrease in net sales (as noted above) and associated gross profit in non-U.S. markets.

***Selling, general and administrative expenses***

Selling, general and administrative expenses for the year ended December 31, 2019 increased $1.6 million or 3.7% compared to the prior year. The increase was primarily due to (i) higher outside accounting and IT consultant expense of $2.0 million related to increased preparation for the IPO and (ii) higher bad debt expenses of $0.4 million primarily attributable to the challenges in the Canadian market in 2019 offset by lower facility expenses of $0.7 million due to adjusting our warehouse footprint.

***Impairment, restructuring and other***

Certain expenses of $10.0 million for 2019 and $7.2 million for 2018 primarily related to recognition of impairment on intangible assets, several restructuring and recapitalization events, and fees for various statutory

filings. The impairment in 2019 related to the impairment of our intangible asset for customer relationships; in 2018, the impairment was for goodwill. Restructuring and recapitalization events refer to our debt refinancing in 2019 and 2018; our Preferred Stock Offering in 2019; the recapitalization and reverse merger in 2018; and, other similar activities related to our capitalization. In 2019, we filed a registration statement which was delayed, and the third-party costs were expensed. See Note 19, *Impairment, restructuring and other* in our 2019 consolidated financial statements and notes thereto for additional information.

***Interest expense***

Interest expense was $13.5 million for the year ended December 31, 2019 compared to $11.6 million for the prior year, reflecting an increase of $1.9 million or 16.0%.

The increase in interest expense was due in part to an increase in the effective interest rate on the Term Loan Agreement to 13.0% for the year ended December 31, 2019 from 12.1% for the prior year. Additionally, interest payments for the years ended December 31, 2019 and 2018 of $7.1 million and $6.8 million, respectively, were deferred and added to principal which resulted in additional interest on the increase in the principal balance.

Similarly, the effective interest rate on the revolving credit facilities increased to 9.8% for the year ended December 31, 2019 compared to 5.0% to 5.1% for the prior year as we transitioned from the BofA Credit Facility in July 2019 to the Encina Credit Facility.

***Income tax benefit***

Income tax benefit was $0.7 million or 1.7% of loss before tax for the year ended December 31, 2019 compared to $0.4 million or 1.1% for the prior year. The net income tax benefit is comprised of two amounts: a current tax expense of $27 thousand and $0.5 million for 2019 and 2018, respectively; and, a deferred income tax benefit of $0.7 million and $0.9 million for 2019 and 2018, respectively. The current portion of the provision (tax expense) generally reflects minimum U.S. state and Canadian provincial taxes which do not fluctuate with pre-tax income or loss. The deferred income tax benefit in each year was primarily generated from the tax consequence of the impairment write-offs; these income tax benefits are not expected to recur.

***Net loss attributable to non-controlling interest***

In May 2017, Hydrofarm Investment Corp. (“HIC”), acquired, through its wholly-owned subsidiary, Hydrofarm Holdings, LLC, all of the capital stock of Hydrofarm, Inc., in a transaction referred to as the “Formation Transaction.” Concurrently with the acquisition by HIC, Hydrofarm, Inc. converted from an S-Corp to a limited liability company and was renamed Hydrofarm, LLC. At the time of the Formation Transaction in May 2017, an investor in Hydrofarm, LLC retained a 12.5% interest in Hydrofarm Holdings, LLC which was presented as a non-controlling interest and allocated a portion of our losses until it was exchanged for shares in our parent and reclassified to controlling interest. See Note 1, *Description of the Business* under *Formation Transaction and Recapitalization and reverse merger in 2018* in the notes to our 2019 consolidated financial statements for additional information.

**Quarterly Results of Operations**

The following table sets forth our interim unaudited interim condensed consolidated statements of operations data for each of the four quarters in the year ended December 31, 2019 and each of the three quarters in the nine months ended September 30, 2020. The unaudited quarterly consolidated statements of operations data set forth below have been prepared on a basis consistent with our audited annual consolidated financial statements included elsewhere in this prospectus and include, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the results of operations for the periods presented (amounts in thousands).

| | Quarter ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | **June 30, 2020** | **March 31, 2020** | **December 31, 2019** | **September 30, 2019** | **June 30, 2019** | **March 31, 2019** |
| Net sales | $96,658 | $91,208 | $66,897 | $ 53,773 | $60,469 | $64,751 | $56,118 |
| Cost of goods sold | 78,473 | 73,333 | 55,333 | 48,263 | 54,616 | 56,858 | 48,288 |
| **Gross profit** | 18,185 | 17,875 | 11,564 | 5,510 | 5,853 | 7,893 | 7,830 |
| Operating expenses: | | | | | | | |
| Selling, general and administrative | 12,524 | 12,838 | 11,722 | 13,025 | 10,020 | 10,253 | 10,486 |
| Impairment, restructuring and other | 184 | 83 | 9 | 6,446 | 573 | 1,276 | 1,740 |
| **Income (loss) from operations** | 5,477 | 4,954 | (167) | (13,961) | (4,740) | (3,636) | (4,396) |
| Interest expense | (2,549) | (2,506) | (2,803) | (3,678) | (3,402) | (3,287) | (3,100) |
| Loss on debt extinguishment | — | — | — | (288) | (391) | — | — |
| Other (expense) income, net | (223) | 305 | 21 | (229) | (5) | 336 | 3 |
| **Income (loss) before tax** | 2,705 | 2,753 | (2,949) | (18,156) | (8,538) | (6,587) | (7,493) |
| Income tax (expense) benefit | (54) | (186) | (144) | 445 | 492 | (85) | (161) |
| **Net income (loss)** | 2,651 | 2,567 | (3,093) | (17,711) | (8,046) | (6,672) | (7,654) |
| Cumulative dividends allocated to Series A Convertible Preferred Stock | (682) | (674) | (634) | — | — | — | — |
| **Net income (loss) attributable to common stockholders** | $ 1,969 | $ 1,893 | $ (3,727) | $ (17,711) | $ (8,046) | $ (6,672) | $ (7,654) |
| **Other data:** | | | | | | | |
| Net sales growth over prior period [(a)] | 59.8% | 40.9% | 19.2% | 29.8% | 27.3% | 6.8% | -9.9% |
| Gross profit margin[(b)] | 18.8% | 19.6% | 17.3% | 10.2% | 9.7% | 12.2% | 14.0% |
| SG&A as a percent of net sales | 13.0% | 14.1% | 17.5% | 24.2% | 16.6% | 15.8% | 18.7% |

(a) Net sales growth is calculated as growth in current period over same period of prior year

(b) Gross profit margin is calculated as gross profit over net sales

***Quarterly Revenue Trends***

The hydroponics industry experienced a recovery early in 2019 following an industry-wide slowdown that occurred between 2017 and 2018, which was primarily due to California's transition from loosely controlled medical-use to a tightly controlled adult-use cannabis market resulting in licensing shortages for a period of time. By mid-2019, our net sales grew as California worked through its backlog of license distributions. Net sales slowed in the fourth quarter of 2019 primarily due to the seasonality of our business, as outdoor and lawn and garden sales typically slow down in the first and fourth fiscal quarters. Since mid-2019, our year-over-year net sales growth has been positive.

Our net sales in the first three quarters of 2020 have grown on a year-over-year and sequential basis due to (i) higher demand for our products across numerous geographies, which may be due, in part, to shelter-in-place measures in certain jurisdictions due to the COVID-19 pandemic, (ii) an increase in overall price, and (iii) the application of new more effective sales incentives. See "*— Results of Operations — Comparison of Nine Months Ended September 30, 2020 and 2019*."

***Quarterly Gross Profit and Gross Profit Margin Trends***

The industry-wide slowdown that occurred between 2017 and 2018 resulted in an inventory over-supply environment. As a result, we, along with several other wholesale distributors in the industry discounted product prices to sell-through inventory positions which depressed gross profit margins (gross profit as a percent of net sales). Ultimately, this over-supply environment led to industry consolidation in early 2019 (vis-a-vis the closure and asset sale of a large competitor) leaving a healthier competitive environment for us and the few remaining large suppliers.

Beginning in mid-2019, our gross profit margins improved as our sales incentive programs and inventory positions normalized. We simultaneously initiated a SKU rationalization program which reduced the number of active SKUs to address underperforming brands which further improved our gross profit margins. Our gross profit margins continued to improve during the last six months of 2019 and through September 30, 2020 as we experienced the benefit of (i) a new customer investment program which resulted in more effective sales incentive programs, (ii) a newly instituted freight cost optimization program which helped to lower our net transportation costs, (iii) improved product pricing to help recapture increased costs such as higher tariffs, and (iv) orienting our sales force and marketing teams toward proprietary/preferred branded products with higher gross profit margins.

***Quarterly Expense Trends***

The selling, general and administrative quarterly expense over the first three quarters of 2019 remained consistent while we endured the industry-wide slow-down. To support our long-term growth plan and our IPO, we undertook several initiatives, primarily in mid-to-late 2019 and early 2020, which resulted in higher compensation costs, consulting fees and audit/legal fees, including but not limited to, the hiring of executives such as our new Chief Executive Officer, President and Chief Financial Officer and engaging new third parties such as an IT consulting firm, a new auditor and several accounting and audit-related consultants.

During 2019, we incurred restructuring and other costs related to private placements of equity, recapitalizations, refinancing, corporate restructuring and lender financial advisor oversight. In addition, our initial filing with the SEC was in mid-2019 but was postponed to 2020; because of the delay, all of our third-party costs including legal, accounting and printing, which would have been charged against the proceeds from the offering, were expensed primarily during the third and fourth quarters of 2019.

In the fourth quarter of 2019, we impaired the value of our Canadian customer relationships when we determined that the sum of the estimated future undiscounted cash flows was insufficient to recover the asset carrying value. We performed impairment tests, which indicated that $5.4 million of the carrying value of these customer relationships were impaired, which was included in impairment, restructuring and other in the consolidated statements of operations.

Interest expense on our Term Loan declined from late 2019 into 2020 as we began to repay the outstanding principal in 2020 along with a one-time $8.4 million principal payment in January 2020. There was also a slight decrease in the effective interest rate on our Encina Credit Facility which replaced the BofA Credit Facility in July 2019.

**Liquidity and Capital Resources**

Our liquidity and capital resources were not materially impacted by the COVID-19 pandemic and the governmental responses to address the COVID-19 pandemic and the related economic impact during the nine months ended September 30, 2020. For further discussion regarding the future potential impacts of COVID-19 and the related economic impacts on our liquidity and capital resources, see "*Risk Factors — Risks Relating to Our Business — The effects of the COVID-19 pandemic are unpredictable and may materially*

*affect our customers and how we operate our business, and the duration and extent to which the pandemic continues (including any re-emergence of COVID-19) to threaten our future results of operations and overall financial performance remains uncertain."*

We believe that our existing cash on hand and additional cash generated from operations will provide us with sufficient liquidity to meet our operating needs for the next 12 months. As of September 30, 2020, we had a cash balance of $32.9 million, including restricted cash of $1.8 million, and available borrowings under the Encina Credit Facility of $3.6 million. Our financial position was significantly improved when we issued 7,725,045 shares of Series A Preferred Stock in December 2019 and January and February 2020 with gross proceeds of $27.0 million in return for cash, net of offering costs of $25.6 million which includes proceeds from the issuance of debt which eventually converted into Series A Preferred Stock.

From our inception in May 2017 through 2020, our operations have been financed primarily from the sales of our capital stock, warrants and borrowings under our BofA Credit Facility, Encina Credit Facility and Term Loan Agreement.

**Cash Flows from Operating, Investing, and Financing Activities — Comparison of Nine Months Ended September 30, 2020 and 2019**

The following table summarizes our cash flows for the nine months ended September 30, 2020 and 2019 (amounts in thousands):

| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Net cash used in operating activities | $ (7,777) | $(11,520) |
| Net cash provided by (used in) investing activities | 1,328 | (3,572) |
| Net cash provided by financing activities | 6,408 | 4,663 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 39 | 2,347 |
| **Net decrease in cash, cash equivalents and restricted cash** | (2) | (8,082) |
| Cash, cash equivalents and restricted cash at beginning of period | 32,857 | 27,923 |
| **Cash, cash equivalents and restricted cash at end of period** | $32,855 | $(19,841) |

***Operating Activities***

Net cash used in operating activities was $7.8 million for the nine months ended September 30, 2020, consisting of $8.7 million in non-cash expense addbacks, which were largely composed of depreciation and amortization and non-cash operating lease expense, to reconcile net income of $2.1 million to net cash used in operating activities, plus a $18.6 million reduction in working capital. This change in working capital primarily reflects a $37.4 million increase in accounts receivable and inventory for the period offset by a $25.3 million increase in accounts payable and accrued expenses due to the growth in net sales, as well as a decrease in lease liabilities of $2.4 million due to payments on lease obligations during the period.

Net cash used in operating activities was $11.5 million for the nine months ended September 30, 2019 consisting of $15.4 million in non-cash addbacks, which were largely composed of depreciation and amortization, interest expense added to principal and non-cash operating lease expense, to reconcile net loss of $22.4 million to net cash used in operating activities, plus a $4.5 million reduction in working capital. This change in working capital primarily reflects a $4.3 million increase in accounts receivable and $3.7 million increase in inventories, as collections and net sales during the nine months ended September 30, 2019 was slowed due to the industry downturn, and a $2.5 million a decrease in lease liabilities due to payments on lease obligations during the period. The increase in accounts receivable and inventories and decrease in lease liabilities for the period were offset by a $9.5 million increase in accounts payable and accrued expenses as we were able to coordinate payment of our obligations with our cash flow.

***Investing Activities***

We had minimal investing activities for the nine months ended September 30, 2020 and 2019. For the nine months ended September 30, 2020, we received proceeds from a $2.0 million note receivable from a third

party; $2.9 million of the note receivable were advanced to the borrower during for the nine months ended September 30, 2019. Our business was not capital intensive in 2020 or 2019 and purchases of property and equipment were minimal during the periods.

***Financing Activities***

Net cash provided by financing activities primarily reflects draws and repayments under the working capital credit facilities, and repayments on the term loan. For the nine months ended September 30, 2020, draws under the Encina Credit Facility exceeded repayments by $8.6 million; quarterly repayments on the Brightwood Term Loan restarted along with a one-time principal reduction of $8.4 million financed with proceeds from the Series A Preferred Stock Offering. We also received proceeds of $3.8 million from the issuance of Series A Preferred Stock and $3.3 from the PPP Loan. For the nine months ended September 30, 2019, our borrowings under the working capital credit facilities marginally exceeded repayments, which reflected stable working capital needs for the period. We also received $5.9 million in proceeds from the issuance of notes which converted into the Series A Preferred Stock in the fourth quarter.

**Cash Flows from Operating, Investing, and Financing Activities — Comparison of Years Ended December 31, 2019 and 2018**

The following table summarizes our cash flows for the years ended December 31, 2019 and 2018 (amounts in thousands):

| | 2019 | 2018 |
|---|---|---|
| Net cash (used in) provided by operating activities | $(13,302) | $ 4,437 |
| Net cash used in investing activities | (3,818) | (3,312) |
| Net cash provided by financing activities | 19,900 | 25,516 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 2,154 | (924) |
| Net increase in cash, cash equivalents and restricted cash | 4,934 | 25,717 |
| Cash, cash equivalents and restricted cash at beginning of year | 27,923 | 2,206 |
| Cash, cash equivalents and restricted cash at end of year | $ 32,857 | $27,923 |

***Operating Activities***

Net cash used in operating activities was $13.3 million for the year ended December 31, 2019. This consisted of $26.2 million in non-cash addbacks, which were largely composed of non-cash expenses, to reconcile net loss of $40.1 million to net cash, plus $0.6 million in net changes in working capital. This minor change in working capital compared to the 11% increase in net sales reflects better operational controls in 2019 over the collection of receivables and levels of inventory which reduced the need for additional working capital.

Net cash provided by operating activities was $4.4 million for the year ended December 31, 2018. The increase in cash used in operating activities for the year ended December 31, 2019 compared to the prior year was mostly due to the $22.0 million net drawdown of 2017 inventory (inventory purchased and carried in ending inventory at December 31, 2017 and sold in 2018) by the year ended December 31, 2018 as inventory overstock issues from the industry down-turn in late 2017 which continued into 2018 were addressed and rebalanced.

In anticipation of growth after the year ended December 31, 2019, we expect our working capital needs will increase compared to 2019.

***Investing Activities***

Net cash used in investing activities was $3.8 million for the year ended December 31, 2019 and $3.3 million for the year ended December 31, 2018. In 2019, the cash was primarily for a $2.9 million advance on an interest bearing note receivable to a third party secured by equipment; in 2018, cash was used for a similar advance of $2 million to another third party.

As of December 31, 2019, the borrower of the note originated in 2019 was in default and we continue to pursue remedies for recovery of the investment which include renegotiating the terms for repayment, and ultimately if necessary, recovery of the equipment serving as collateral which is expected to be sufficient to settle the basis of the loan.

We have no material commitments for capital expenditures.

***Financing Activities***

Net cash provided by financing activities was $19.9 million for the year ended December 31, 2019 consisting primarily of proceeds from the Preferred Stock Offering, net of offering costs, of $21.7 million which includes proceeds from debt eventually converted into the preferred stock. The offering improved our capital and liquidity. The other significant activity was replacement of the BofA Credit Facility with the Encina Credit Facility.

Net cash provided by financing activities was $25.5 million for the year ended December 31, 2018 primarily consisting of $52.6 million less offering costs of $4.5 million from our offering and concurrent offering of common stock to investors, and a net of $4 million from a related party. The offering improved our capital and liquidity. Our sources of cash provided by financing activities were offset by a $27.4 million net payment on our revolving credit facility.

**Credit Facilities**

***Revolving Credit Facilities***

We had utilized a credit facility with Bank of America, N.A. since our formation in May 2017 until July 2019, when our subsidiary, Hydrofarm Holdings LLC and the Encina Obligors, replaced the BofA Credit Facility with the Encina Credit Facility in the maximum amount of $45 million. The amount of the Encina Credit Facility is limited to the borrowing base, primarily calculated based on eligible accounts receivable and inventory, subject to certain reserves and limitations. The Encina Credit Facility is due on the earlier of (i) July 11, 2022 or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement. As of September 30, 2020, approximately $3.6 million was available under the Encina Credit Facility.

Interest, due monthly, is charged at LIBOR or a base rate, plus an applicable margin ranging between 3.75% to 5.50% per annum determined based on the fixed charge coverage ratio calculated over an applicable time period. A fee of 0.50% per annum is charged for available but unused borrowings as defined. Interest, fees and other monetary obligations owing under the Encina Credit Facility may, in the lender's discretion, be added to principal.

The Encina Credit Facility is secured by working capital assets and a second lien on non-working capital assets and requires various restrictive covenants and financial ratios. It also provides for protective advances, overdrafts, early payment/termination premium, events of default and remedies available, limitations on new indebtedness and on dividends to the parent, negative covenants, representations, warranties, limitation of liabilities and indemnities. Additionally, the agreement requires the Encina Obligors to be in compliance with the financial and qualitative covenants of all other existing debt. The Encina Credit Facility provides for several financial covenants and limits on capital expenditures.

***Term Loan with Brightwood***

Since our formation in May 2017, we, through Hydrofarm Holdings LLC and its subsidiaries, have utilized a Term Loan Agreement with Brightwood Loan Services LLC. The balance of such loan as of September 30, 2020 was $76.3 million excluding unamortized deferred financing costs. The Term Loan Agreement matures on May 12, 2022, and provides for interest at LIBOR plus a margin of 850 basis points. Principal payments at an annual basis of 2.5% of the original loan amount are due quarterly. The Term Loan Agreement is secured by substantially all non-working capital assets and a second lien on working capital assets of the Subsidiary Obligors, and provides for several financial covenants.

***Restriction on the ability to pay dividends***

Under the Encina Credit Facility and Term Loan Agreement, substantially all consolidated net assets of the Subsidiary Obligors or Encina Obligors are subject to limitations regarding the payment of dividends to any direct or indirect parent. For further information, see "*Description of Indebtedness.*"

**Off-Balance Sheet Arrangements**

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as variable interest entities, structured finance or special purpose entities.

**Contractual Obligations**

Contractual obligations as of December 31, 2019 consist of the following (amounts in thousands):

| | Total | Less than 1 year | 1-3 years | 4-5 years | More than 5 years |
|---|---|---|---|---|---|
| Operating lease obligations | $ 22,528 | $ 3,950 | $ 7,219 | $ 3,201 | $8,158 |
| Finance lease obligations (including interest) | 894 | 484 | 403 | 7 | — |
| Principal payments on long term debt | 109,438 | 34,396 | 75,011 | 31 | — |
| Interest payments on long term debt | 11,822 | 3,716 | 8,103 | 3 | — |
| Minimum purchase commitments | 17,500 | 2,500 | 6,500 | 8,500 | — |
| Total contractual obligations | $162,182 | $45,046 | $97,236 | $11,742 | $8,158 |

Principal payments on long-term debt include payments on the Encina Credit Facility and exclude unamortized deferred financing costs. The expected cash payments for interest on our long-term debt is based on the amounts outstanding as of the end of each period and the interest rates applicable on such debt as of December 31, 2019. Minimum inventory purchase commitments are required under one of our agreements with a supplier.

During the nine months ended September 30, 2020, we repaid $8.8 million under the Term Loan Agreement which significantly reduced our long-term debt obligations.

**Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk of economic losses due to adverse changes in financial market prices and rates. Our primary market risk has been interest rate, foreign currency and inflation risk. We do not have material exposure to commodity risk.

***Interest Rate Risk***

We currently have no material exposure to interest rate risk from investments. In the future, we intend to invest our excess cash primarily in money market funds, debt instruments of the U.S. government and its agencies and in high quality corporate bonds and commercial paper. Due to the short-term nature of these investments, we do not believe that there will be material exposure to interest rate risk arising from our investments.

Our operating results are subject to risk from interest rate fluctuations on our credit facilities which carry variable interest rates. As of December 31, 2019, we had an outstanding balance under the Term Loan Agreement of $85.1 million, excluding unamortized deferred financing costs, with interest at LIBOR plus a margin of 850 basis points, and an outstanding balance under the Encina Credit Facility of approximately $23.9 million, excluding unamortized deferred financing costs, with interest charged at LIBOR or a base rate, plus an applicable margin ranging between 3.75% to 5.50% per annum determined based on the fixed charge coverage ratio calculated over an applicable time period. A 10% change in LIBOR during 2019 would result in a change to annual interest expense of $0.3 million.

***Foreign Currency Risk***

The functional currency of our Eddi's and Sunblaster operations is the Canadian dollar ("CAD") and the functional currency for Eltac is the Euro. For the purposes of presenting these consolidated financial statements, the assets and liabilities of subsidiaries with CAD or Euro functional currencies are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average rate prevailing during the period with exchange differences impacting other comprehensive income (loss) in equity. Currently a portion of our inventory purchases for Eddi's and Sunblaster is in USD. However, Eddi's sales will primarily be in CAD while Sunblaster sales will be in both USD and CAD. Additionally, Eddi's and Sunblaster settle their operating expenses in CAD. Therefore, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, principally the CAD.

However, we believe that the exposure to foreign currency fluctuation from product sales and operating expenses is not significant at this time as the related product sales and costs do not constitute a significant portion of our total net sales and expenses. As we grow and expand the geographic reach of our operations, our exposure to foreign currency risk could become more significant. To date, we have not entered into any foreign currency exchange contracts and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

***Impact of Inflation***

Our results of operations and financial condition are presented based on historical costs. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. However, we cannot provide assurances that our results of operations and financial condition will not be materially impacted by inflation in the future.

**Critical Accounting Policies and Estimates**

In preparing our consolidated financial statements in conformity with GAAP, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances, historical experience, and business valuations. Actual amounts could differ from those estimated at the time the Consolidated Financial Statements are prepared.

Our significant accounting policies are described in Note 4, *Basis of presentation and significant accounting policies* to our 2019 consolidated financial statements. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and (ii) different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur from period to period may have a material impact on the presentation of our financial condition, changes in financial condition, or results of operations. Our critical accounting estimates include the following:

***Revenue recognition, volume rebates and provision for doubtful accounts***

All of our revenue is derived from the sale of inventory and we recognize revenue as control of promised goods or services is transferred to customers. Arrangements have a single performance obligation and revenue is reported net of variable consideration which includes applicable volume rebates, cash discounts and sales returns and allowances. Variable consideration is estimated and recorded at the time of sale. The recognition of variable consideration requires the use of estimates. While we believe these estimates to be reasonable based on the then current facts and circumstances, there can be no assurance that actual amounts realized will not differ materially from estimated amounts recorded.

Provisions for uncollectible receivables due from customers are established based on management's judgment as to the ultimate collectability of these balances and are recorded net of the receivable. The

allowance is based on a combination of factors including the age of the account, the credit worthiness of the customer, payment terms, the customer's historical payment history and general economic conditions.

***Inventories***

Inventories are primarily comprised of finished goods and are recorded at the lower of cost or net realizable value determined by the first-in, first-out method of accounting. Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price we expect to realize by selling the inventory and our contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are subjective in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold. The adequacy of our adjustments could be materially affected by changes in the supply and demand for our products.

***Long-lived tangible and finite-lived intangible assets including right-of-use assets***

Long-lived tangible assets, primarily property and equipment, are stated at cost; right-of-use assets are recorded under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. Depreciation is provided on the straight-line method and based on the estimated useful economic lives of the assets. Intangible assets with finite lives, and therefore subject to amortization, include customer relationships, the enterprise resource software and certain tradenames. These intangible assets are being amortized over their estimated useful economic lives typically ranging from 3 to 18 years.

We qualitatively assess potential indicators of impairment, referred to informally as Step 0, of our long-lived tangible and finite-lived intangible assets whenever events or changes in circumstances indicate that the asset or asset group's carrying value may not be recoverable. An asset group is defined as the lowest level for which identifiable cash flows can be associated with groups of assets and related liabilities. If indicators are present, we follow a quantitative two-step process when testing for impairment. In Step 1, we perform a recoverability test by analyzing whether the carrying amount of the asset or asset group exceeds the sum of the undiscounted cash flows expected to result from their use over their expected life and eventual disposition. If the sum of the future undiscounted cash flows is greater than the carrying amount, the test is passed and no further work is performed. If the carrying amount is greater than the sum of the future undiscounted cash flows, the recovery test is deemed to have failed, and Step 2 is performed. In Step 2, the fair values of the long-lived tangible and definite-lived intangible assets are determined, and an impairment charge is recognized based on the excess of the carrying amount of the long-lived asset over its respective fair value.

We use assumptions for revenue and expenses such as forecasted growth rates, margin estimates, historical cost ratios, capital additions and working capital needs, which are consistent with internal projections and operating plans. The forecast period is estimated using the remaining useful lives of primary assets in the group which involves judgement about assets to be included in the group subject to the test and to economic and technological obsolesce impacting the term. These and other assumptions are impacted by economic conditions and expectations of management and materially different assumptions in the future regarding the performance of the businesses could impact the useful lives of assets or estimate of future undiscounted cash flows.

***Goodwill and indefinite-lived intangible assets***

Goodwill and indefinite-lived intangible assets are not amortized, but are tested at least annually for impairment and whenever events or changes in circumstances indicate that impairment may have occurred (same as Step 0 discussed above). Impairment testing for goodwill is performed separately from, and after, impairment testing of indefinite-life intangible assets.

When indicators of impairment are present, indefinite-lived intangible assets are tested for impairment by comparing their book values to the estimated fair value. Our estimate of fair value for indefinite-lived intangible assets is usually based on a form of the income approach which relies on inputs including projected revenues from our forecasting process, an assumed royalty rate, and a discount rate. Assumptions used in our impairment evaluations, such as forecasted growth rates and discount rates, are consistent with internal projections and operating plans. Materially different assumptions regarding future performance of our businesses or a different weighted-average cost of capital could result in impairment losses or additional amortization expense.

Testing for goodwill impairment is performed at the reporting unit level; our reporting units are the same as our reportable segments. With respect to this testing, a reporting unit is a component of the company for which discrete financial information is available and regularly reviewed by management and can be the same as segments or one level below segments. We may first perform an assessment for potential indicators of impairment (informally referred to as Step 0) to determine if it is necessary to perform the two-step goodwill impairment test. If it is "more likely than not" that the fair value of the reporting unit is less than its carrying amount including goodwill, then we will proceed with the two-step test. In conducting the initial qualitative assessment, we analyze actual and projected growth trends for net sales, gross margin, and earnings for each reporting unit, as well as historical versus planned performance. Additionally, each reporting unit assesses critical areas that may impact its business, including macroeconomic conditions, market-related exposures, competitive changes, new or discontinued products, changes in key personnel, or any other potential risks to projected financial results. All assumptions used in the qualitative assessment require significant judgment.

When it is "more likely than not" that the fair value is less than the carrying amount, the two-step impairment process is performed. In Step 1, we first determine and then compare the fair value of the reporting unit including goodwill to its carrying amount. The fair value of a reporting unit is determined by using a combination of the income and market approaches. Inputs use assumptions such as forecasted revenue, revenue growth rates, margin estimates, various expenses, capital additions, working capital needs, and a reversion value. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. Where available, and as appropriate, comparable market multiples and our market capitalization are also used to corroborate the results of the discounted cash flow models. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired and we are not required to perform further testing. If the carrying amount of the reporting unit exceeds its fair value, then Step 2 must be completed in order to determine the amount of goodwill impairment that should be recorded. In Step 2, the "implied fair value" of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill. Historically, the significant part of this process is estimating the fair value of customer relationships which utilizes the discounted value of revenue from existing customers adjusted for estimated attrition. Revenue for this purpose is derived from forecasted revenue discussed at the beginning of this paragraph; revenue from existing customers is then adjusted for a survivor curve utilizing an annual attrition rate. The "implied fair value" of the goodwill that results from the application of Step 2 is then compared to the carrying amount of the goodwill. An impairment charge is recorded for any excess carrying amount of goodwill over the "implied fair value" of goodwill.

Fair value estimates employed in our annual impairment review of indefinite-lived intangible assets and goodwill were determined using discounted cash flow models involving several assumptions. Changes in our assumptions could materially impact our fair value estimates. Assumptions critical to our fair value estimates were: discount rates such as the weight average cost of capital used in determining the fair value of the reporting units and intangible assets; royalty rates used in our intangible asset valuations; projected revenue and operating profit growth rates used in the reporting unit and intangible asset models; attrition rate related to revenue from existing customers; expenses; and reversion or capitalization multiples used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and may change in the future based on period specific facts and circumstances.

***Share-based compensation arrangements***

Stock-based compensation cost is measured as of the grant date based on the fair value of the award and is expensed ratably over the service period of the award, which is typically the vesting period for time-based awards. Performance-based awards are expensed over the requisite service period based on achievement of

performance criteria. We have elected to account for forfeitures when they occur, and any compensation expense previously recognized on unvested shares will be reversed.

The fair value of restricted stock awards is estimated based on the fair value of the common stock underlying the restricted stock awards. We estimate the fair value of option-based awards subject to only a service condition on the date of grant using the Black-Scholes valuation model. The Black-Scholes model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock. The highly subjective and complex assumptions in the Black-Scholes model also include the estimated fair value of our common stock underlying the options.

To measure the value of the underlying common stock, the initial grant-date fair value of shares of common stock underlying the award is determined. Such valuation is the responsibility of, and determined by, the board of directors, with input from management. In 2019, there was no public market for our common stock. Therefore, the board of directors determined the fair value of common stock at the grant date by considering a number of objective, subjective and highly complex factors including independent third-party valuations of our common stock, operating and financial performance, the lack of liquidity of capital stock and general and industry specific economic outlook, among other factors.

For purposes of determining the fair market value of our common stock, we used a third-party valuation expert to provide support for our analysis. For most of 2019, we primarily relied on valuation methods which included using the discounted cash flow and guideline public company methods. In the latter part of 2019, a "probability weighted expected return method" (the "PWERM method") analysis was used which placed greater emphasis on the Preferred Stock Offering completed in December 2019 to establish the value of our common stock; the PWERM method requires us to develop assumptions and estimates for both the probability of an IPO liquidity event and remaining private outcomes, as well as the values we expect those outcomes could yield. These methods consider operating and financial performance including estimating future cash flows and discounting those cash flows at an appropriate rate, the lack of liquidity of capital stock and general and industry specific economic outlook, among other factors. These estimates will not be necessary to determine the fair value of underlying shares of common stock for new awards once the underlying shares begin trading.

For inputs into the Black-Scholes model, the expected stock price volatility for the common stock is estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in our industry which are of similar size, complexity and stage of development. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury implied yield at the date of grant. We have elected to use the "simplified method" to determine the expected term which is the midpoint between the vesting date and the end of the contractual term because it has no history upon which to base an assumption about the term; we believe the simplified method approximates a term if it were to be based on expected life.

We will continue to use the Black-Scholes model for option pricing following the consummation of this offering.

Application of these approaches involves the use of estimates, judgments and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, cash flows, discount rates, market multiples, the selection of comparable companies and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

***Income taxes***

We account for deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities result in a deferred tax asset, we perform an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to

a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. We determine the amount of our valuation allowance based on our estimates of taxable income by jurisdiction in which we operate over the periods in which the related deferred tax assets will be recoverable. As of December 31, 2019 and 2018, we believed it is more-likely-than-not that we will not be able to realize our US deferred tax assets and therefore have maintained a full valuation allowance against our US deferred tax assets and have also provided a full valuation allowance against the majority of our Canadian and Spanish deferred tax assets.

We are subject to income taxes in the U.S. and certain foreign jurisdictions. We record income tax expense based on our estimates of future payments, which include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets, including NOL carryforwards. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from management's estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

***Recent accounting pronouncements***

For information regarding recent accounting pronouncements, refer to Note 2, *Basis of Presentation and Significant Accounting Policies — Recently issued accounting pronouncements*, in the notes to our unaudited interim condensed consolidated financial statements.

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

On September 24, 2019, we selected, and the audit committee of our board of directors approved, Deloitte & Touche LLP as our new independent registered public accounting firm to audit the consolidated financial statements of Hydrofarm Holdings Group, Inc. as of and for the year ended December 31, 2019. We selected Deloitte & Touche LLP based on the growth and size of our operations outside of Canada and the prospect of becoming a public company in the United States. As a result, we dismissed MNP LLP, our then independent registered public accounting firm. The dismissal was effective immediately and was approved by the audit committee of our board of directors.

MNP LLP's audit reports on our consolidated financial statements for the year ended December 31, 2018 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the audits of our financial statements for the fiscal year ended December 31, 2018, (a) there were no "disagreements" (within the meaning of Item 304(a)(1)(iv) of Regulation S-K) between MNP LLP and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to MNP LLP's satisfaction, would have caused MNP LLP to make reference to the subject matter in their report on our consolidated financial statements and (b) there were no "reportable events" (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

We provided MNP LLP with a copy of the disclosures that we are making in this Registration Statement on Form S-1 prior to the time this Registration Statement was publicly filed with the SEC. We have requested that MNP LLP furnish a letter addressed to the SEC stating whether or not it agrees with the statements made herein, a copy of which will be filed by amendment as Exhibit 16.1 hereto.

During the fiscal year ended December 31, 2018, and the subsequent interim period through September 24, 2019, neither we nor anyone acting on our behalf has consulted with Deloitte & Touche LLP with respect to (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that Deloitte & Touche LLP concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, or

(b) any matter that was either the subject of a "disagreement" or "reportable event" within the meaning of Item 304(a)(1) of Regulation S-K.

**Internal Control Over Financial Reporting**

In finalizing our financial statements for our initial public offering, we, and our independent registered public accounting firm, identified control deficiencies in the design and operation of our internal control over financial reporting that constituted two material weaknesses, as defined in the standards established by the PCAOB. We determined that we had two material weaknesses because (i) we did not maintain a sufficient complement of personnel with an appropriate degree of technical knowledge commensurate with our accounting and reporting requirements and (ii) our controls related to the preparation, review, and analysis of accounting information and financial statements were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis for our U.S. entities and Eddi's.

During 2020, we have taken several actions towards remediating these material weaknesses. In particular, we (i) hired and continue to hire, additional qualified accounting and financial reporting personnel with technical and/or public company experience and (ii) engaged an external advisor to assist management in completing a Sarbanes-Oxley Act compliant risk assessment, creating detailed control documentation for in-scope business and information technology processes, identify any further control gaps and providing assistance on remediation procedures, and to design and implement a Sarbanes-Oxley Act sub-certification process. We are still in the process of completing the remediation of the material weaknesses; however, we cannot assure you that the steps we are taking will be sufficient to remediate our material weaknesses or prevent future material weaknesses or significant deficiencies from occurring. See "*Risk Factors — Risks Relating to Our Business — We identified material weaknesses in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected*."

# BUSINESS

## Company Overview

### Introduction

We are a leading independent distributor and manufacturer of controlled environment agriculture ("CEA", principally hydroponics) equipment and supplies, including a broad portfolio of our own innovative portfolio of proprietary branded products. We primarily serve the United States and Canadian markets, and believe we are one of the leading competitors by market share in these markets in an otherwise highly fragmented industry. For over 40 years, we have helped growers make growing easier and more productive. Our mission is to empower growers, farmers and cultivators with products that enable greater quality, efficiency, consistency and speed in their grow projects. For the trailing twelve months ended September 30, 2020, we had net sales of $308.5 million; from 2005 to 2019, we generated a net sales compound annual growth rate ("CAGR") of approximately 16%.

Hydroponics is the farming of plants using soilless growing media and often artificial lighting in a controlled indoor or greenhouse environment. Hydroponics is the primary category of CEA and we use the terms CEA and hydroponics interchangeably. Our products are used to grow, farm and cultivate cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, CO2, light intensity spectrum, nutrient concentration and pH. Through CEA, growers are able to be more efficient with physical space, water and resources, while enjoying year-round and more rapid grow cycles as well as more predictable and abundant grow yields, when compared to other traditional growing methods.

We reach commercial farmers and consumers through a broad and diversified network of over 2,000 wholesale customer accounts, who we connect with primarily through our proprietary eCommerce marketplace. Over 80% of our net sales are into the specialty hydroponic retailers, through which growers are able to enjoy specialized merchandise assortments and knowledgeable staff. We also distribute our products across the United States and Canada to a diversified range of retailers of commercial and home gardening equipment and supplies that include garden centers, hardware stores, eCommerce retailers, commercial greenhouse builders, and commercial resellers.

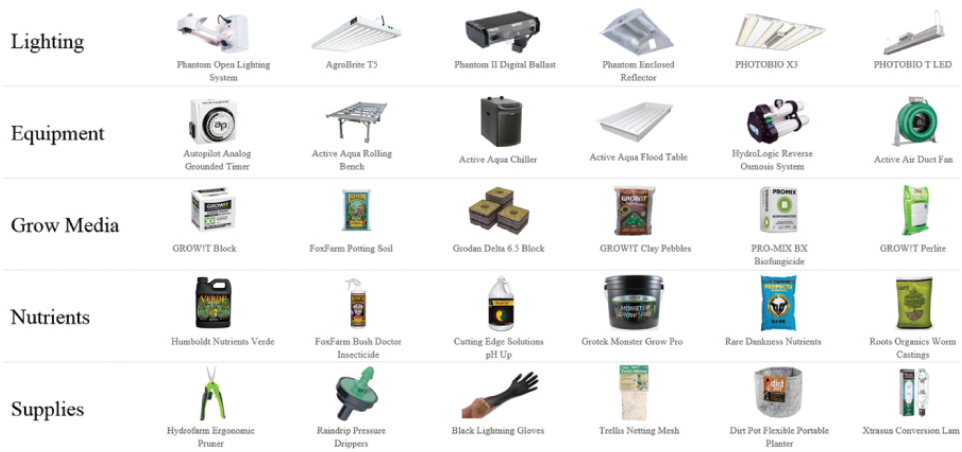
### How We Serve Our Customers

Our customer value proposition is centered around two pillars. First, we strive to offer *the best selection* by being a branded provider of all CEA needs. Second, we seek to be *the gold standard in distribution and service,* leveraging our infrastructure and reach to provide customers with just-in-time ("JIT") delivery capabilities and exceptional service across the U.S. and Canada.

#### *Complete Range of Innovative CEA Products*

We offer thousands of innovative, branded CEA products that are supported by 24 patents and 60 registered trademarks. Our product offerings span lighting solutions, growing media (i.e., premium soils and soil alternatives), nutrients, equipment and supplies and includes more than 6,000 stock-keeping-units ("SKUs") sold under leading proprietary, exclusive/preferred brands or non-exclusive/distributed brands. Some of our most well-known brands include Phantom and Active Aqua as well as in-licensed brands such as FoxFarm and Grodan. We estimate that approximately two-thirds of our net sales relate to recurring consumable products, including growing media, nutrients and supplies that require regular replenishment. The remaining portion of our sales relate to durable products such as hydroponic lighting and equipment. The majority of products we offer are produced by us or are supplied to us under exclusive/preferred brand relationships providing for attractive margins and a significant competitive advantage as we offer retailers and resellers a breadth of products that cannot be purchased elsewhere.

The following graphic illustrates a representative set of our market-leading products across key CEA product categories:

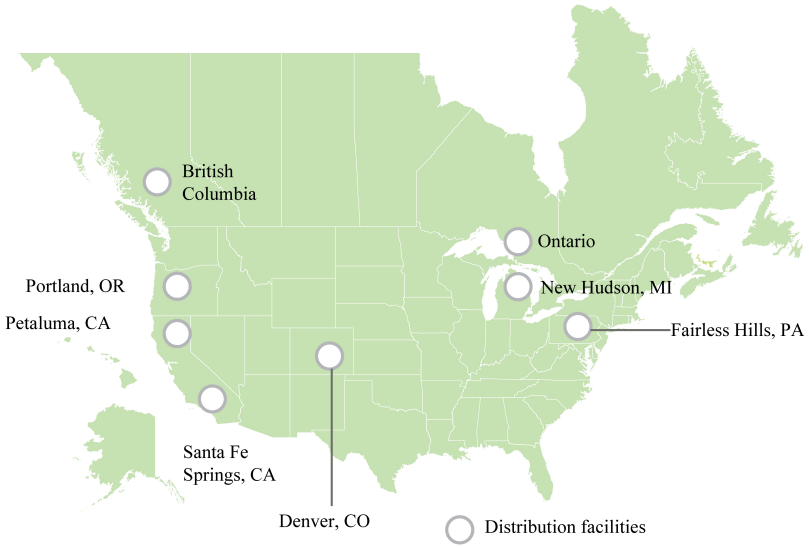



***Infrastructure and Reach for Fast Delivery, High In-Stock Availability and Exceptional Service***

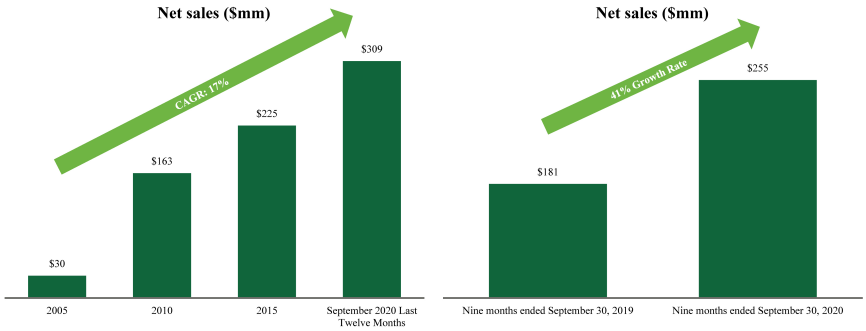
Our infrastructure and reach enable us to provide delivery and service capabilities to a highly diverse group of customers across the U.S. and Canada. We believe that our six U.S.-based distribution centers can reach approximately 90% of the U.S. population within 24 to 48 hours and that our two Canadian distribution centers can provide timely coverage to the full Canadian market.

In the U.S., we operate distribution centers in Petaluma, California; Santa Fe Springs, California; Portland, Oregon; Denver, Colorado; Fairless Hills, Pennsylvania; and New Hudson, Michigan. In Canada, we have distribution centers in Langley, British Columbia and Cambridge, Ontario. Outside of North America, we operate a distribution center in Zaragoza, Spain, and we have an office for product quality assurance and supply chain management in Shenzhen, China. We partner with a network of third-party logistics companies that facilitate expeditious delivery to our customers across the globe. The majority of customer orders are received through our business-to-business e-commerce platform. Through our differentiated Distributor Managed Inventory (“DMI”) Program, we partner with our network of retailers and resellers to create customized, JIT supply chain solutions for large commercial end users.

The following illustration provides an overview of our operating footprint.




Over the past fifteen years, we have grown our net sales at an approximate 17% CAGR. This historical growth is largely due to the growth in CEA growing across several end-markets, including cannabis, and our ability to continuously develop, manufacture and distribute innovative branded products on timely basis.




We believe our industry is poised to grow significantly. Expanding populations, limited natural resources and a focus on the environment and the security of our agricultural systems have illuminated the benefits of CEA compared to traditional outdoor agriculture. We believe the adoption of CEA will continue to accelerate, particularly in the commercial agriculture industry, where CEA can be deployed to achieve grows that are simultaneously more efficient for the planet and profitable for growers. Furthermore, certain of our end-markets are experiencing significant growth, including cannabis. The global cannabis industry is a rapidly developing business opportunity for us, particularly as the legal market in the United States continues to expand.

To support this significant growth opportunity and to improve our profit margin profile, we recruited a new Chairman and Chief Executive Officer, William (“Bill”) Toler, in early 2019. In turn, over the past 18 months, Mr. Toler recruited over five new executives and quickly put in place several management initiatives intended to support growth and improve our profit margins. These initiatives include, but are not limited to,

further developments of proprietary brands, freight cost management and distribution network optimization, and the expansion of our commercial segment and DMI.

Given our strong historical net sales growth, the accelerating growth in our primary end-markets, and the strength of our new management team, we believe that we are well positioned for significant and sustained net sales and earnings growth.

**Our Industry is Large and Rapidly Growing**

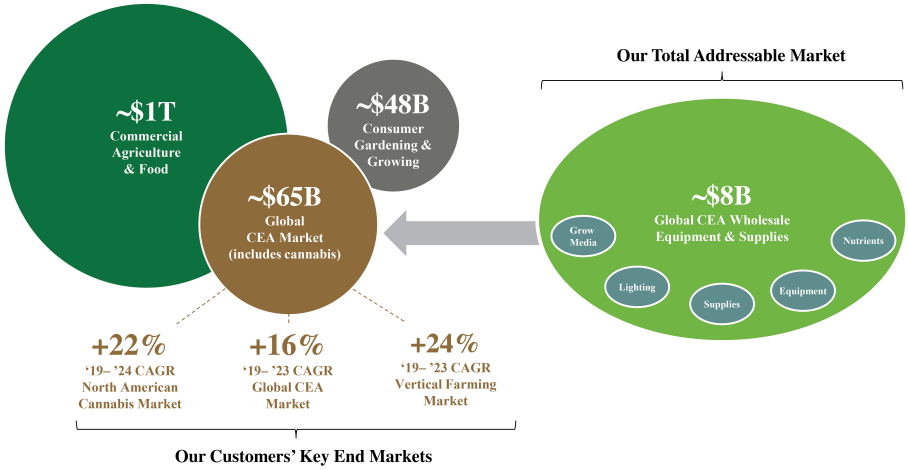
The Expanding Controlled Environment Agriculture Market

Our principal industry opportunity is in the wholesale distribution of CEA equipment and supplies, which generally include grow light systems; advanced heating, ventilation, and air conditioning ("HVAC") systems; humidity and carbon dioxide monitors and controllers; water pumps, heaters, chillers, and filters; nutrient and fertilizer delivery systems; and various growing media typically made from soil, rock wool or coconut fiber, among others. Today, we believe that a majority of our products are sold for use in CEA applications.

*Pictured: PHOTOBIO LED Light, Active Aqua Grow Flow 5 gal system, Active Aqua Flexible Air Stone, OxyCLONE 20 Site System with Timer and Light Kit, Active Air CO2 System with Timer*

CEA is an increasingly significant and fast-growing component of the expansive global commercial agriculture and consumer gardening sectors. According to the USDA and National Gardening Survey, the agriculture, food, and related industries sector produced more than $1 trillion worth of goods in the U.S. alone in 2017, and U.S. households spent a record of approximately $48 billion at retail stores on gardening and growing supplies and equipment.

According to industry publications, the global CEA industry totaled approximately $65 billion in 2019, and is expected to grow at a CAGR of 16% from 2019 to 2023. The rapid growth of CEA crop output will subsequently drive growth in the wholesale CEA equipment and supplies industry. According to industry publications, the global wholesale CEA equipment and supplies industry totaled approximately $8 billion in 2019 and is expected to grow at a CAGR of 12.8% from 2019 to 2025.



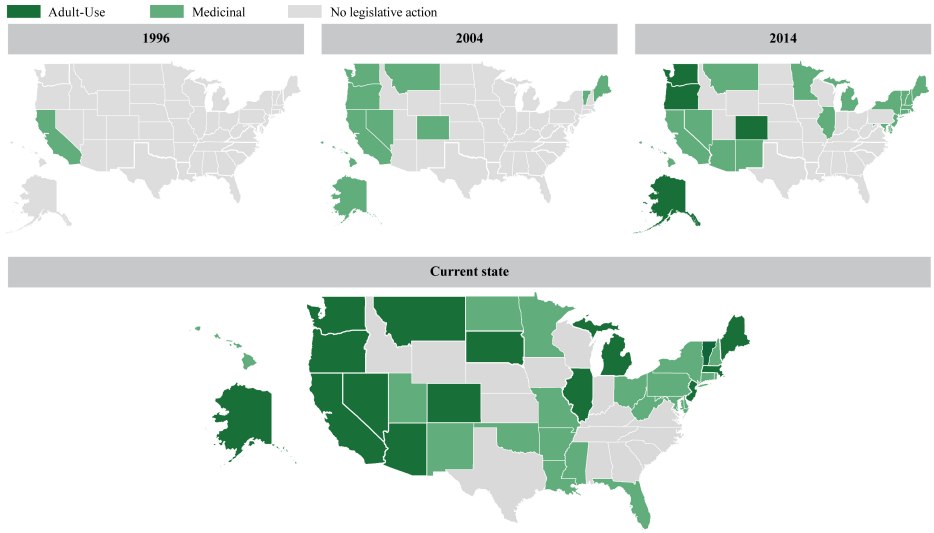
Powerful Trends are Driving Significant Industry Growth

We believe that the growth in the wholesale distribution of CEA equipment and supplies is driven by a broad array of factors including:

***Significant Growth in the Cannabis Industry***

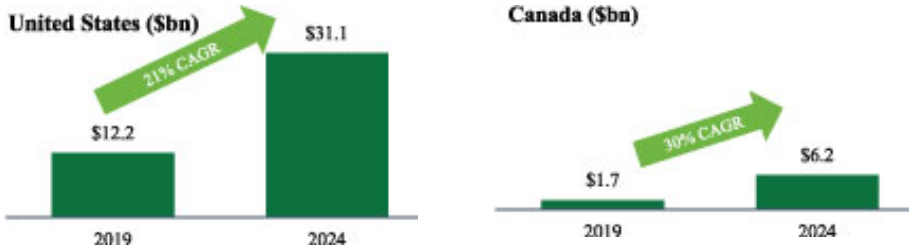
Today, we believe that a majority of the CEA equipment and supplies we sell to our customers is ultimately purchased by participants in the cannabis industry, though we do not sell to participants in the cannabis industry directly. The North American cannabis industry is massive and growing rapidly, driven largely by state-level legalization efforts in the U.S. and federal-level legalization in Canada. The current and expected growth in the size of the cannabis market has and will continue to have a very significant, positive impact on our business.

The following map illustrates the state-level progression of cannabis legalization in the U.S., differentiating states that have fully legalized cannabis for medical and adult-use purposes and states that have partially legalized cannabis for medical purposes only. Importantly, though Canada and several U.S. states have taken significant steps towards cannabis legalization, we believe the North American legal cannabis market is still in the nascent stages of realizing its growth potential. As of the date of this prospectus, only 15 U.S. states and the District of Columbia had legalized cannabis for adult-use. The aggregate population of those states is only around one third of the total U.S. population. Furthermore, in U.S. states that have passed cannabis laws, many such laws remain restrictive to consumer access. As an example, we believe significant suppressed demand would be unlocked in Texas, should the state adopt a medical cannabis law that more closely resembles that of their neighboring state, Oklahoma, where we have seen significant growth since cannabis was legalized for medical use in 2018. In Canada, the governments of every province and territory have enacted laws allowing for the distribution and sale of cannabis for adult-use purposes; however the market remains in early stages of market development.




According to industry publications, the U.S. cannabis market is projected to reach approximately $31.1 billion by 2024, up from approximately $12.2 billion in 2019, representing a 21% CAGR. In Canada, the cannabis market is projected to reach approximately $6.2 billion by 2024, up from approximately $1.7 billion

in 2019, representing a 30% CAGR. The following chart illustrates the forecasted growth of the cannabis industry in the United States and Canada:




This significant growth in the U.S. cannabis market is expected due to (i) state initiatives for new adult-use and/or medical-use programs in additional U.S. states, (ii) expanded access for patients or consumers in existing state medical or adult-use cannabis programs, and (iii) increased consumption driven by greater product diversity and choice, reduced stigma, and real and perceived health benefits in states with existing adult-use or medical use programs.

- **State initiatives for new adult-use or medical-use programs.** We believe support for cannabis legalization in the U.S. is gaining momentum. According to a November 2019 poll by Pew Research Center, public support for the legalization of cannabis in the U.S. increased from approximately 41% in 2010 to approximately 67% in 2019.[4] According to a 2019 poll by Quinnipiac University, 93% of Americans support patient access to medical-use cannabis if recommended by a doctor. Furthermore, due to the recent socio-economic changes across the U.S. since early 2020, many state government budgets are increasingly under pressure to identify additional revenue sources, such as the potential revenue streams from the taxation and job creation that state legalized adult-use cannabis may offer. Accordingly, a number of states are at various stages of considering implementing laws permitting cannabis use or further liberalizing their existing laws permitting such use. Our sales per capita in U.S. states with legalized adult-use programs are on average several multiples higher than our sales per capita in states without adult-use programs. We believe this fact points to the significant opportunity available to us if or when additional U.S. states legalize adult-use programs.
- **Expanded access for patients and consumers in existing state medical and adult-use programs.** The cannabis business in states with existing cannabis laws is in nascent stages in many cases and will continue to grow, creating jobs and opportunities for workers and entrepreneurs. Cultivators, manufacturers, dispensaries, delivery providers, labs and other cannabis-related businesses will continue to grow in these regions. As these businesses proliferate, consumers will benefit from easier access to cannabis products.
- **Greater product diversity and choice, reduced stigma and real and perceived health benefits in states with existing adult-use or medical use programs.** Several key developments have contributed to an increase in cannabis product availability and breadth, including the proliferation of CBD and other cannabis-infused products, including edibles, oils, tinctures, and topical treatments. We believe that the historical stigmatization of cannabis use has diminished significantly, driven by a more supportive legislative environment, a rise in progressive sociopolitical views and greater consumer awareness of the potential health benefits of cannabis consumption. According to industry publications, real and perceived health benefits extend into areas including cancer treatment, pain management, the treatment of neurological and mental conditions, and sleep management. According to industry publications, the use of cannabis

4 Daniller, Andrew. "Two-thirds of Americans Support Marijuana Legalization." *Pew Research Center*, Washington, D.C. (Nov. 14, 2019).

in the U.S. by adults aged 65+ has increased sharply in recent years from 0.4% in 2006 and 2.9% in 2015 to 4.2% in 2018 (JAMA Internal Medicine).[5]

***Acceleration of CEA Adoption***

Both the commercial agriculture and cannabis industries are increasingly adopting more advanced agricultural technologies in order to enhance the productivity and efficiency of operations. The benefits of CEA include:

- Greater product safety, quality and consistency;
- More reliable, climate-agnostic year-round crop supply from multiple, faster harvests per year as opposed to a single, large harvests with outdoor cultivation;
- Lower risk of crop loss from pests (and subsequently lower need for pesticides) and plant disease;
- Lower required water and pesticide use compared to conventional farming, offering incremental benefits in the form of reduced chemical runoff and lower labor requirements; and
- Potentially lower operating expenses from resource-saving technologies such as high-efficiency LED lights, precision nutrient and water systems and automation.

CEA implementation continues to increase globally, driven by the factors listed above as well as growth in fruit and vegetable farming, consumer gardening and the continued adoption of vertical farming. Vertical farming, a subsector of CEA, has gained popularity mainly due to its unique advantage of maximizing yield by growing crops in layers. Industry publications project that the global vertical farming market will reach approximately $6 billion in 2023, up from $3 billion in 2019 and representing a 24% CAGR from 2019 to 2023.[6]

While a small portion of cannabis cultivation may be grown in non-CEA settings, given the multitude of benefits of CEA cultivation, we believe CEA will continue to be the primary method of growing cannabis, driving demand for our products. The movement towards the legalization of cannabis in the U.S. and its legalization in Canada also comes with a corresponding increase in regulatory oversight and statutory requirements for growers and their products. These regulations enhance product safety and transparency to consumers but usually necessitate the use of CEA in cannabis cultivation in order to meet mandated THC content or impurity tolerances.

***Increased Consumer Home Growing***

We perceive consumer gardening to be a significant driver of future CEA growth. According to the National Gardening Survey, in 2017, 77% of U.S. households participated in lawn and garden activities, spending on average a record of $503 per household. We expect this growth in consumer gardening and growing spending to continue, driven by both increased participation by millennials and strong continued participation by married households, adults over age 55, and adults without children. We believe that these demographic dynamics will result in an increase in the number of consumer gardening category participants, resulting in the purchase of more CEA products.

***Strong Demand for Hemp for CBD Production***

Hemp cultivation in North America has grown significantly since the passage of the U.S. Farm Bill in December 2018. Consumers are increasingly using hemp-derived products such as CBD for their therapeutic benefits. According to industry publications, the U.S. hemp-derived CBD market is expected to grow from $1.2 billion in 2019 to $6.9 billion in 2025, representing a six-year CAGR of 33.8%. We have experienced strong demand for our products from growers that solely harvest hemp and from cannabis growers who are adding hemp to their offerings. We are very well positioned to continue to capitalize on the growth of industrial

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[5] Reproduced with permission from *JAMA Intern Med*. 2020. 180(4):609-611. Copyright © 2020 American Medical Association. All rights reserved.

[6] Sinnarkar, Makarand. *Allied Market Research Reports*. “Green Technology and Sustainability Market is Expected to Reach $44.61 Billion by 2026.” (Feb. 2020).

hemp cultivation in North America especially as cultivation is increasingly done indoors. Both our current product portfolio and our pipeline of new products tailored to the needs of hemp cultivators will help us serve this burgeoning market.

***Increased Focus on Environmental, Social, and Governance ("ESG") Issues***

We believe the growth and change in our end-markets is in part driven by a variety of ESG trends aimed at preserving resources and enhancing the transparency and safety of our food supply chains. Overall, CEA delivers superior performance characteristics versus traditional agriculture when compared on select key ESG performance criteria:

- **More efficient land usage.** CEA allows for greater crop production per square foot, reducing the amount of land needed to grow crops. Certain types of vertical farming are 20 times more productive than traditional farming per acre.
- **More efficient fresh water usage.** CEA allows for the management and recycling of water inside of a closed-loop system and therefore generally require less water than traditional outdoor agriculture. In certain instances, CEA can grow plants with up to 98% less water than soil based agriculture.
- **Decreased use of fertilizer and pesticides.** As CEA takes place in a controlled, often indoor environments, the need for pesticides application is reduced, allowing growers to apply less pesticide with more precise application compared to traditional outdoor agriculture.
- **Reduced carbon emissions.** CEA, especially vertical farming, allows large farming operations to be located significantly closer to end-users, thereby reducing the transportation distance of ready-to-use crops.
- **Reduced food waste.** Similar to the above, since CEA allows for food production significantly closer to end-user, there is less time between production and consumption and therefore reduced product spoilage, damage and waste.
- **Chemical runoff prevention.** Due to closed-loop nature of CEA systems, CEA significantly decreases the risk of chemical runoff, which is generally more difficult to control in traditional outdoor agriculture.
- **Supports organic farming.** CEA is well suited for organic farming, the produce of which has been in increasing demand by consumers.

***COVID-19***

The COVID-19 ("COVID-19") pandemic has caused significant shifts in consumer sentiment and behavior thereby altering the dynamics of the CEA industry. Its effect on the cannabis industry may also drive a greater volume of sales by our customers, increasing demand for our CEA equipment and supplies. We believe that these changes, as outlined below, will benefit our industry in the long-term:

- **New entrants into the consumer gardening and growing market.** We believe that a meaningful portion of consumer gardening and growing product spending following the COVID-19 outbreak was driven by first-time users. We expect this to be a tailwind for the consumer gardening and growing market going forward as a portion of these consumers opt to work-from-home more.
- **Increased focus on food security and sustainable sourcing.** The COVID-19 pandemic has intensified consumer focus on food security and transparency of food production around the world. CEA offers a more sustainable and secure alternative to traditional outdoor agriculture, allowing food to be grown closer to where it is ultimately consumed, thereby reducing supply chain-related risks and food waste.
- **Pressure on governments to identify additional revenue streams, such as tax revenue from state legalized cannabis industries.** The COVID-19 pandemic has put a significant strain on government budgets, increasing pressure to find revenue from previously unexplored streams including state legalized medicinal or adult-use cannabis.

- **Home-centric lifestyle increasing use occasion opportunities for cannabis use.** The COVID-19 pandemic is expected to foster a long-term increase in at-home activity. This lifestyle shift may foster growth in the cannabis market by increasing potential occasions for cannabis use as cannabis is often consumed at home.
- **Essential service designation.** During lockdowns related to the COVID-19 pandemic, our manufacturing and distribution operations and a great majority of our key suppliers, retailers and resellers were designated as essential and remained open. This sets a key precedent about the vital importance of our operations and end-markets.

**Our Competitive Strengths**

We attribute our success to the following competitive strengths.

***Leading Market Positions in Attractive Growing Markets***

We are a leading independent distributor and manufacturer of CEA equipment and supplies in the U.S. and Canada and one of the two major consolidators in the CEA industry. The broader market is comprised of a fragmented group of smaller competitors. We serve several attractive end-markets, including hemp and indirectly, the cannabis industry. Favorable trends in CEA, including increased adoption of vertical farming methods to increase yields, are projected to drive a 24% CAGR for the vertical farming market through 2023 according to industry publications. Similarly, growers' increasing preference to reduce water and energy usage, limit pesticide use and risk of environmental runoff, and reduce labor costs coupled with growing consumer demand for fruits and vegetables are expected to drive significant growth in CEA methods. Furthermore, CEA allows farms to be located closer to their consumers, greatly reducing the costs and waste (namely $CO_2$ and spoiled food) related to transportation resulting in an overall smaller carbon footprint. However, we will likely see the most significant growth in cannabis. Increased support for cannabis legalization at the federal level in the U.S., an increase in U.S. states' implementation of adult-use and medical cannabis programs, continued growth in the Canadian cannabis market following the implementation of the Cannabis Act in 2018, and consumer and commercial awareness of the benefits associated with hemp-derived products will serve as significantly favorable tailwinds that will drive continued growth.

***New, Experienced Management Team with Proven Track Record***

Our management team possesses significant public market experience, a history of driving long-term organic growth and a track record of successful business consolidations. Bill Toler, Chairman and Chief Executive Officer, has over 35 years of executive leadership experience in supply chain and consumer packaged goods, most recently serving as President and Chief Executive Officer of Hostess Brands from April 2014 to March 2018. Under his leadership, Hostess Brands transitioned from a private to public company, regained a leading market position within the sweet baked goods category and returned to profitability. Bill also previously served as Chief Executive Officer of AdvancePierre Foods and President of Pinnacle Foods, in addition to holding executive roles at Campbell Soup Company, Nabisco and Procter & Gamble. Terence Fitch, President, possesses significant relevant business experience including more than 20 years of management experience with the Coca-Cola Company and Coke Enterprises, where he was responsible for manufacturing, supply chain, and sales and marketing for the multi-billion-dollar Refreshment Direct and Independent Bottlers business units. For the past six years, Terence has been working on building, managing and designing large CEA operations in Colorado and Arkansas. B. John Lindeman, Chief Financial Officer brings us more than 25 years of finance and leadership experience. Most recently he served as Chief Financial Officer and Corporate Secretary at Calavo Growers, Inc. (Nasdaq-GS: CVGW), a fresh food company, where he was responsible for the finance, accounting, IT and human resource functions. Prior to joining Calavo, he held various leadership positions within the finance and investment banking industries at Janney Montgomery Scott, Stifel Nicolaus, Legg Mason and PricewaterhouseCoopers LLP.

***Broad Portfolio with Innovative Proprietary Offerings and Recurring Consumables Sales***

We have one of the largest equipment and consumable product offerings in the industry. From lighting solutions to nutrients to grow mediums, we offer nearly everything growers need to ensure their operations are

maximizing efficiency, output and quality. We maintain an extensive portfolio of products which includes 26 internally developed, proprietary brands across approximately 900 SKUs with 24 patents and 60 registered trademarks as well as over 40 exclusive/preferred brands across approximately 900 SKUs. We maintain inventory across over 6,000 SKUs, and approximately 60% of our sales relate to proprietary and exclusive/preferred brands. Our proprietary and exclusive/preferred brands include lighting, equipment, grow media, nutrients and supplements. Our proprietary products command a significant gross margin premium relative to general distributed brands. Our revenue mix continues to shift towards proprietary brands as we continue to innovate, improving overall margins. Further, our revenue stream is highly consistent as, in our estimation, we believe that approximately two-thirds of our net sales are generated from the sale of recurring consumable products including growing media, nutrients and supplies. Our top 20 customers buy over 3,000 SKUs in the aggregate.

***Proprietary Sourcing and Supplier Relationships Create Barriers to Entry***

Our scale presents a significant barrier to entry as we have developed exclusive distribution relationships, proprietary brands and a geographic footprint that enables us to efficiently service customers across North America. We maintain approximately 900,000 square feet of distribution space across six distribution centers in the U.S. and two distribution centers in Canada. Furthermore, we have cultivated over the last 40 years long-term relationships with a network of approximately 400 suppliers, giving us access to a best-in-class products portfolio and allowing us to provide a full range of CEA solutions to our customers. We source individual components from our diverse supplier base to assemble our products, including utilizing a dedicated on-the-ground purchasing team in China to maintain and develop relationships with suppliers. To maintain competitive pricing, we implement cost sharing with certain of our suppliers. No single supplier makes up more than 9% of our total supplier costs.

***Unique Ability to Serve Our Strong Customer Base***

We maintain long-standing relationships with a diversified range of leading hydroponic retailers, retailers of commercial and home gardening equipment and supplies that include garden centers, hardware stores, eCommerce retailers, commercial greenhouse builders, and commercial resellers. We serve over 2,000 business-to-business customers across multiple channels in North America, providing customers with the capability to purchase their entire product range from us. Our commercial sales and DMI programs further enhance our customer capabilities, offering consultation, technical expertise, facilitated order fulfillment and JIT delivery of consumables. Our unique distribution capabilities allow us to provide JIT delivery across North America, utilizing six strategically located distribution centers in the U.S. and our two distribution centers in Canada. Our distribution footprint in the U.S. can reach approximately 90% of the population in 24 to 48 hours and our two distribution centers in British Colombia and Ontario can provide timely coverage to the fully Canadian market. We maintain coverage of industry trends and consumer preferences via thirteen sales managers complemented by teams made up of specialized product category experts. Given our ability to provide a comprehensive product offering and excellent customer service, we maintain over seven-year relationships with the majority of our largest customers.

***Proven Mergers and Acquisitions ("M&A") Track Record***

Our management team has extensive experience with execution and integration of M&A opportunities. In November 2017, we acquired Eddi's Wholesale Garden Supplies, Ltd. ("Eddi's") and the distribution division of Greenstar Plant Products, Inc. ("GSD"), which we believe were two of the leading CEA and lawn and garden distributors in Canada at the time of the acquisitions. Those acquisitions, combined with our existing infrastructure and experience, have enabled us to become one of the leading CEA equipment distributors in Canada. Additionally, we maintain relationships throughout our markets to identify specific product categories of interest for M&A activity. Our robust understanding of commercial growers' needs coupled with our experienced M&A team has prepared us to make additional acquisitions in the hydroponics industry, which will help us to continue to grow our market share. We view M&A as a significant driver of potential growth as the hydroponics industry is fragmented and primed for consolidation.

**Our Growth and Productivity Strategies**

We are well positioned to capitalize on the growth of our underlying markets through the following strategies.

***Capitalizing on Rapidly Growing Markets***

Our customers benefit from macroeconomic factors driving the growth of CEA, including expanded adoption of CEA and vertical farming by commercial growers and consumers, as well as the growth in cannabis, hemp and other end-markets. As the world population grows and urbanizes, vertical farming is increasingly being used to meet the demand for food crops. Industry publications estimate that the global vertical farming market will expand at a 24% CAGR from 2019 to 2023. In addition, the U.S. and Canadian cannabis markets had an estimated value of approximately $14 billion in 2019, and are projected to grow to $37 billion by 2024. The hemp market has benefited from consumer adoption of hemp-derived CBD products. According to industry publications, the U.S. hemp-derived CBD market is expected to grow from $1.2 billion in 2019 to $6.9 billion in 2025, representing a six-year CAGR of 33.8%. We expect to capitalize on favorable cannabis and hemp growth trends by continuing to expand our operations globally.

***Expanding our Proprietary Product Offering***

We are expanding the breadth of our product assortment through continued development of our own proprietary brands. Our proprietary brands command a meaningful gross margin premium to our distributed products. Our core competency in new product innovation is in lighting, consumable and equipment categories, and we are enhancing research and development in our other product categories to expand our brand portfolio's value and further enhance our margins. We have launched several new product lines over the past year, including PhotoBio LED lighting equipment and Phantom Core HID lighting equipment. We also maintain a pipeline of next generation proprietary products and occasionally make investments in suppliers to create strategic relationships around the development of specific products and enhanced distribution agreements.

***Adding Strategic Distribution Relationships and Exclusive/Preferred Brands***

We can increase revenue with significant cross-selling activity to our current installed customer base by offering a more comprehensive assortment of products required by commercial growers to engage in cultivation. We have identified key suppliers with product solutions that are well established in the grower community for exclusive/preferred brand relationships. Exclusive/preferred brand relationships with leading brands drive sales and margin improvement. We believe we are a highly attractive distribution partner due to our scale and independence in growing media and nutrient categories. We have established sixteen new exclusive/preferred distribution relationships over the past two years including with established equipment and nutrient suppliers.

***Enabling Wholesaler Network to Effectively Serve Commercial Growers***

Working with our wholesale network, we are leveraging our sophisticated technical sales team to provide our wholesale network the ability to address the needs, demanding requirements and higher volume of their larger-scale commercial customers. Establishing these relationships with our channel provides us with insight and access to growers' evolving demands, leading to both increased equipment sales and recurring sales of consumables through our wholesale network. Our commercial grower outreach program, our analytically driven supply chain function and DMI capabilities enable our wholesaler network to anticipate customer demand for products and ensure their availability. The goal of these efforts is to maintain long-term relationships with our wholesalers by helping them be successful in providing cultivation square footage savings and access to JIT inventory to their customer base. We believe this can result in profitability for our wholesalers' customers on consumables and equipment. We also believe that increasing the value to our wholesale network will allow us to grow within key accounts and expand sales of our products and services to new accounts.

***Expand our Operating Margins***

We have developed and begun to implement specific productivity initiatives across our business as a means of funding growth. Our initiatives include the following:

- **Enhance Our Brand Mix.** We will continue to increase the percentage of proprietary and exclusive/preferred brands in our product portfolio. Our innovative proprietary and exclusive/preferred brands offer us a significant margin benefit compared to distributed brands.
- **Drive Supply Chain Efficiencies.** We are implementing multiple supply chain efficiency initiatives, including the review of our carrier sourcing relationships and intra-warehouse shipments for optimization opportunities, reducing the active SKU count by eliminating non-core SKUs, and the deployment enhanced inventory planning tools. For example, we have reduced our SKU count from 5,400 in 2019 to 3,700 in 2020. Additionally, we continually review our distribution network for optimization opportunities, and in doing so consolidated two warehouses to one in 2019.
- **Optimize the Customer Investment Program.** We have segmented our client accounts to improve our discounting decisions in order to maximize net sales as a percent of gross sales.
- **Leveraging G&A.** Additional areas of cost savings will come from more efficiently leveraging corporate overhead as our business continues to grow and scale.

***Acquiring Value-Enhancing Businesses***

The hydroponics industry is highly fragmented which we believe presents a significant opportunity for growth through M&A. Management is continually evaluating M&A targets and we believe, in this fragmented market, there will be continued opportunities for M&A. M&A provides us an opportunity to significantly increase distribution with independent brands and to add new products based on identified needs of commercial growers. We utilize clear investment criteria to make disciplined M&A decisions that will accelerate sales and EBITDA growth, increase competitive strength and market share and expand our proprietary brand portfolio.

**Broad Customer Base and Marketing Presence**

We maintain a broad, active base of more than 2,000 customer accounts. Our diversified customer base is largely comprised of retailers of commercial and home gardening equipment and supplies, including: (i) garden centers and hardware stores, (ii) eCommerce webstores, such as Amazon, (iii) specialty hydroponic retailers and (iv) commercial greenhouse builders and commercial resellers. We anticipate that our product offerings will continue to attract a diversified customer base, especially as the hydroponics product retail market grows and the trend of U.S. state adoption of legalizing cannabis continues.

Our three-pronged marketing strategy consists of: (i) print media, (ii) an online presence, and (iii) tradeshows (including private customer events). We believe our marketing, together with our pursuit of excellent customer service, are the key factors that have enabled us to maintain over seven-year relationships with a majority of our largest customers.

We have a ten-year relationship with Amazon that covers indoor gardening products. Amazon purchases and warehouses 1,600 of our SKUs to be sold to customers within the United States. Some of our Amazon-listed products are among the most popular in their respective categories and are highlighted as “Best Sellers” and “Amazon’s Choice.” Examples include the Active Aqua Water Pump and Active Aqua Chiller.

**Sales**

Our growth strategy has enabled us to increase our net sales at a 17% CAGR over the past 15 years. See our consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

***Seasonality***

We experience limited seasonality due to the year-round utilization of indoor gardening supplies and products; however, outdoor and lawn and garden related product sales are concentrated in our second and

third fiscal quarters by retailers who rely on our ability to deliver products closer to when consumers buy our products, thereby reducing retailers' pre-season inventories.

***Growing Media***

We distribute certain products that are used in order to improve the efficiency of the agricultural growing and the cultivation process. Growing media consists of premium soils and soil alternatives, such as rock wool, coconut coir or clay pebbles, used in hydroponic cultivation.

Our leading products in this product line are Grodan rock wool blocks, FoxFarm soils, and Pro-Mix soils. Each one of these growing media and nutrients enables the agricultural products on which they are used to maximize crop quality and yields.



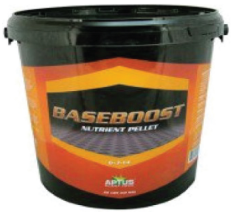
Premium Soils


Non-Soil Growing Media

***Nutrients***

The nutrients category includes products that provide nutrition to crops for hydroponic cultivation. Products include fertilizers and a wide variety of additives used through the crop cycle.

Our leading products in this product line are FoxFarm, Cutting Edge Solution, Grotek, Roots Organics, and Aptus plant care.


***Equipment***

Our equipment product offerings include (i) hydro components, (ii) meters and solutions, (iii) pumps and irrigation systems, (iv) water filtration systems, (v) pots and containers and (vi) tents and tarps. We offer these products to customers both as individual products and as a combination.

Rolling Bench

PH Meter

Reverse Osmosis System

Our leading products in this product line are rolling benches, flood trays and PH meters filtration systems. Hydroponic systems products make up the core equipment and accessories that are needed for hydroponic cultivation.

Our propriety brands in the hydroponic systems category include Active Aqua, AutoPilot, and Active Air.




***Lighting***

We have six different product offerings within our lighting systems, (i) lighting systems/kits, (ii) grow light reflectors, (iii) grow light ballasts, (iv) LED lighting, (v) fluorescent lighting, and (vi) lighting accessories. We offer these products to customers both as individual products and as a combination.

Our leading products in this product line are Phantom double end high-intensity discharge ("HID") grow light systems, ballasts and reflectors. We believe our Phantom lighting products outperform the competition in terms of light output per watt, and therefore provide superior efficiency, reliability, lighting uniformity compared our competitors.

HID Light System

Grow Light Reflector

Grow Light Ballast

LED Light System

In order to evaluate the superiority of our proprietary brand "Phantom" lights, we worked with an independent third-party to assess the performance of these products against the similar products offered by our competitors. Based on the results of this examination, the Phantom DE Open and Phantom DE Enclosed both outperformed the competitors with respect to the light output per watt, an indicator of the efficiency of the products.

Our propriety brands in the lighting category include Phantom, PhotoBio, Quantum and Xtrasun.





In 2019, we fully launched a new line of proprietary LED lighting products under the PhotoBio brand through a relationship with one of the largest LED chip producers globally. The PhotoBio product range includes both small scale commercial indoor applications and large scale greenhouse applications. The PhotoBio line has what we believe is a higher performance level at a lower cost than current leading LED products.

***Supplies***

The supplies category includes a wide variety of consumable supplies including grow light bulbs, pruners, irrigation components, safety supplies, netting, containers and trays.

Grow Light Bulb

Pruner

Dripper

Safety Gloves


Container

**Suppliers and Manufacturers**

Our products obtained from suppliers include both our branded proprietary products and distributed products. All the products purchased and resold are applicable to indoor and outdoor growing for organics, greens, and plant-based medicines.

Our proprietary products are sourced from over 80 different suppliers, primarily in China. Quality control is a critical priority for our team charged with ensuring the supply of the products from our suppliers, specifically those coming from China. We seek to ensure the highest level of quality control for our products through routine factory visits, spot testing and continual, ongoing supplier due diligence. We also employ a multi-faceted tariff mitigation strategy in China which includes cost sharing with suppliers, passing through price increases and pursuing alternative production outside of China with existing and new suppliers.

Our distributed products are sourced from over 400 suppliers. Our tenured internal team is charged with maintaining strong relationships with current suppliers, while also constantly tracking current and future market trends and reviewing offerings of new suppliers.

Based on our knowledge and communication with our suppliers, we believe some of our suppliers sell directly to the retail market or our wholesale customers. See "*Risk Factors — Risks Relating to Third Parties*."

**Large Established Distribution Infrastructure**

We have a fully developed distribution network across North America that includes six distribution centers in the United States and two in Canada. These strategically placed distribution centers have enabled us to account for what we believe is approximately one third of the 2017 North America wholesale indoor gardening market, and to become the largest hydroponics distributor in Canada.

We operate distribution centers in Petaluma, California; Santa Fe Springs, California; Portland, Oregon; Denver, Colorado; Fairless Hills, Pennsylvania; and New Hudson, Michigan. In Canada, we have distribution centers in Langley, British Columbia and Cambridge, Ontario. In Spain, we have a distribution center in Zaragoza, which is charged with serving the European market.

We work with a network of third-party common carrier trucking/freight companies that service our customers across the globe. We receive daily customer orders via our business-to-business e-commerce platform. Orders are then routed to the applicable distribution center and packed for shipments. The majority of customer orders are shipped and delivered within 24 to 48 hours of order receipt. Shipments are delivered to customers via less-than-truckload common carriers, dedicated lease trucks, small parcel or vendor dropship.

**Competition**

We operate in a highly competitive and fragmented industry. We have numerous competitors of varying sizes, including national wholesale distributors and manufacturers of indoor gardening supplies, such as Scotts-Miracle Gro. We also face competition from smaller regional competitors who operate in many of the areas where we compete. Some of our competitors and potential competitors may have greater capital

resources, facilities and diversity of product lines. Additionally, if demand for our hydroponics equipment continues to grow due to the growth of the cannabis and industrial hemp industries, new competitors may enter the market.

Competitive factors in our industry include product quality, brand awareness and loyalty among consumers, product variety, product performance, value, reputation, price and advertising. We believe that we currently compete effectively with respect to each of these factors.

**Government Regulation**

While there is no national governmental regulation relating to the sale of hydroponics equipment, certain products included in our growing media and nutrients product line are subject to certain registration requirements with some U.S. state regulators and federal regulations. In both California and Michigan we have obtained the requisite licenses to sell products in our growing media and nutrients product line.

***Media and Nutrients***

Our leading product lines are growing media and nutrients products. These product lines include organic soils and nutrients that contain ingredients that require the companies that provide us with these products to register the product with certain regulators. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products could have an adverse impact on those companies providing us with such regulated products, and as a result, limit our ability to sell these products.

International, federal, state, provincial and local laws and regulations relating to environmental, health and safety matters affect us in several ways in light of the ingredients that are used in products included in our growing media and nutrients product line. In the United States, products containing pesticides generally must be registered with the Environmental Protection Agency (the "EPA"), and similar state agencies before they can be sold or applied. The failure by one of our partners to obtain, or the cancellation of any such registration, or the withdrawal from the marketplace of such pesticides, could have an adverse effect on our businesses, the severity of which would depend on the products involved, whether other products could be substituted and whether our competitors were similarly affected. The pesticides we use are either granted a license by the EPA or exempt from such a license and may be evaluated by the EPA as part of its ongoing exposure risk assessment. The EPA may decide that a pesticide we distribute will be limited or will not be re-registered for use in the United States. We cannot predict the outcome or the severity of the effect on our business of any future evaluations, if any, conducted by the EPA.

In addition, the use of certain pesticide products are regulated by various international, federal, state, provincial and local environmental and public health agencies. Although we strive to comply with such laws and regulations and have processes in place designed to achieve compliance, we may be unable to prevent violations of these or other laws and regulations from occurring. Even if we are able to comply with all such laws and regulations and obtain all necessary registrations and licenses, the pesticides or other products we apply or use, or the manner in which we apply or use them, could be alleged to cause injury to the environment, to people or to animals, or such products could be banned in certain circumstances.

***Cannabis Industry***

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. Nonetheless, it is evident to us that the legalization of cannabis in many U.S. states and Canada has ultimately had a significant, positive impact on our industry. Accordingly, laws and regulations governing the cultivation and sale of cannabis and related products have an indirect effect on our business. Legislation and regulations pertaining to the use and growth of cannabis are enacted on both the state and federal government level within the United States. The federal and state laws and regulations governing the growth and use of cannabis may be subject to change. New laws and regulations pertaining to the use or cultivation of cannabis and enforcement actions by state and federal authorities concerning the cultivation or use of cannabis could indirectly reduce demand for our products, and may impact our current and planned future operations.

Individual state laws regarding the cultivation, possession, and of cannabis for adult and medical uses conflict with federal laws prohibiting the cultivation, possession and use of cannabis for any purpose. A number of states have passed legislation legalizing or decriminalizing cannabis for adult-use, other states have enacted legislation specifically permitting the cultivation and use of cannabis for medicinal purposes, and several states have enacted legislation permitting cannabis cultivation and use for both adult and medicinal purposes.

The Term Loan Agreement prohibits the Subsidiary Obligors from selling our products directly to cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. The Encina Credit Facility prohibits the Subsidiary Obligors from selling our products to the cannabis industry. As a result, the Subsidiary Obligors do not sell our products directly to the cannabis industry, cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. See "— *Risks Relating to our Indebtedness.*"

Certain of our products may be purchased for use in new and emerging industries and/or be subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, future scientific research and public perception.

We sell products, including hydroponic gardening products, through third-party retailers and resellers. End users may purchase these products for use in new and emerging industries, including the growing of cannabis that may not grow or achieve market acceptance in a manner that we can predict. The demand for these products is dependent on the growth of these industries, which is uncertain, as well as the laws governing the growth, possession, and use of cannabis by adults for both adult and medical use.

Laws and regulations affecting the U.S. cannabis industry are continually changing, which could detrimentally affect our growth, revenues, results of operations and success generally. Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the end users of certain of our products or us to incur substantial costs associated with compliance or to alter our respective business plans. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operation and financial condition.

The public's perception of cannabis may significantly impact the cannabis industry's success. Both the medical and adult-use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use of cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the United States or internationally, may have a material adverse effect on our operational results, consumer base, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult cannabis or adopt new laws or regulations restricting or prohibiting the medical or adult-use of cannabis where it is now legal, thereby limiting the potential customers and end-users of our products who are engaged in the cannabis industry (collectively "Cannabis Industry Participants").

Demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop. We cannot predict the nature of such developments or the effect, if any, that such developments could have on our business.

We are subject to a number of risks, directly and indirectly through our Cannabis Industry Participants, because cannabis is illegal under federal law.

Cannabis is illegal under federal law. Federal law and enforcement may adversely affect the implementation of medical cannabis and/or adult-use cannabis laws, and may negatively impact our revenues and profits.

Under the CSA, the U.S. Government lists cannabis as a Schedule I controlled substance (i.e., deemed to have no medical value), and accordingly the manufacturing (cultivation), sale, or possession of cannabis is federally illegal. It is also federally illegal to advertise the sale of cannabis or to sell paraphernalia designed or

intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. The United States Supreme Court has ruled in United States v. Oakland Cannabis Buyers' Coop. and Gonzales v. Raich, 532 U.S. 483 (2001), that the federal government has the right to regulate and criminalize cannabis, even for medical purposes. The illegality of cannabis under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding cannabis would likely adversely affect our revenues and results of operations.

Other laws that directly impact the cannabis growers that are end users of certain of our products include:

- Businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Code Section 280E. There is no way to predict how the federal government may treat cannabis business from a taxation standpoint in the future and no assurance can be given to what extent Code Section 280E, or other tax-related laws and regulations, may be applied to cannabis businesses in the future.
- Because the manufacturing (cultivation), sale, possession and use of cannabis is illegal under federal law, cannabis businesses may have restricted intellectual property and proprietary rights, particularly with respect to obtaining and enforcing patents and trademarks. Our inability to register, or maintain, our trademarks or file for or enforce patents on any of our inventions could materially affect our ability to protect our name, brand and proprietary technologies. In addition, cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act ("RICO"). Our intellectual property and proprietary rights could be impaired as a result of our retailers' and resellers' involvement with cannabis business, and we could be named as a defendant in an action asserting a RICO violation.
- Similar to the risks relating to intellectual property and proprietary rights, there is an argument that the federal bankruptcy courts cannot provide relief for parties who engage in cannabis. Recent bankruptcy rulings have denied bankruptcies for cannabis dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute cannabis assets as such action would violate the CSA. Therefore, due to our retailers' and resellers' involvement with cannabis businesses, we may not be able to seek the protection of the bankruptcy courts and this could materially affect our financial performance and/or our ability to obtain or maintain credit.
- Since cannabis is illegal under federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved in the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Any such inability to open or maintain bank accounts may make it difficult for us to operate our business. Under the Bank Secrecy Act ("BSA"), banks must report to the federal government any suspected illegal activity, which includes any transaction associated with a cannabis business. These reports must be filed even though the business is operating legitimately under state law. In addition, due to our retailers' and resellers' involvement with cannabis businesses, our existing bank accounts could be closed.
- Insurance that is otherwise readily available, such as general liability and directors and officer's insurance, may be more difficult for us to find, and more expensive, to the extent we are deemed to operate in the cannabis industry.

The current Trump administration, or any new administration or attorney general, could change federal enforcement policy or execution and decide to enforce the federal cannabis laws more strongly. On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum rescinding previous guidance (directing U.S. Department of Justice and the U.S. Attorneys' offices to focus their cannabis enforcement efforts under federal law only in identified priority areas, such as sale to minors, criminal enterprises, and interstate sales). Under the Sessions memorandum, local U.S. Attorneys' offices retain discretion regarding the prosecution of cannabis activity authorized under state laws and regulations. While current U.S. Attorney General William Barr expressed support for the National Organization to Reform Marijuana Laws (NORML) during his Senate testimony on April 10, 2019, further change in the federal approach towards enforcement could negatively affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to us. The legal uncertainty and possible future changes in law could negatively affect our growth, revenues, results of operations and success generally.

Federal authorities may decide to change their current posture and begin to enforce current federal cannabis law and, if they decide to ignore the principles in the Cole Memorandum and begin to aggressively enforce such laws, it is possible that they could allege that we violated federal laws by selling products used in the cannabis industry. As a result, active enforcement of the current federal regulatory position on cannabis may thus directly or indirectly adversely affect our revenues and profits.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on our business, including our reputation and ability to conduct business, the listing of our securities on any stock exchanges, the settlement of trades of our securities, our ability to obtain banking services, our financial position, operating results, profitability or liquidity or the market price of our publicly traded shares. In addition, it is difficult for us to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Businesses involved in the cannabis industry, and investments in such businesses, are subject to a variety of laws and regulations related to money laundering, financial recordkeeping and proceeds of crimes.

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. Investments in the U.S. cannabis industry are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the BSA, as amended by the Patriot Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States. In February 2014, the Financial Crimes Enforcement Network ("FinCEN") of the Treasury Department issued a memorandum (the "FinCEN Memo") providing guidance to banks seeking to provide services to cannabis businesses. The FinCEN Memo outlines circumstances under which banks may provide services to cannabis businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis violations of the CSA and outlines extensive due diligence and reporting requirements, which most banks have viewed as onerous. The FinCEN Memo currently remains in place, but it is unclear at this time whether the current administration will continue to follow the guidelines of the FinCEN Memo. Such requirements could negatively affect the ability of certain of the end users of our products to establish and maintain banking connections.

Cannabis Industry Participants are subject to federal and state controlled substance laws and regulations. As a result, we are indirectly subject to a number of risks related to controlled substances.

We sell our products through third-party retailers and resellers which do not exclusively sell to the cannabis industry. Some of our products are sold to Cannabis Industry Participants and used in connection with cannabis businesses that are subject to federal and state controlled substance laws and regulations. Cannabis businesses are subject to a number of risks related to controlled substances, which risks could reduce demand for our products by Cannabis Industry Participants. Such risks include, but are not limited to, the following:

- Cannabis is a Schedule I drug under the CSA and regulated by the Drug Enforcement Administration (the "DEA") as an illegal substance. The Food and Drug Administration ("FDA"), in conjunction with the DEA, licenses cannabis research and drugs containing active ingredients derived from cannabis. If cannabis were to become legal under federal law, its sale and use could become regulated by the FDA or another federal agency.
- If cannabis were to become regulated by the FDA or another federal agency, extensive regulations may be imposed on the sale or use of cannabis. Such regulations could result in a decrease in cannabis sales and have a material adverse impact on the demand for our products. If we or our Cannabis Industry Participants are unable to comply with any applicable regulations and/or registration prescribed by the FDA, we may be unable to continue to conduct business with retailers and resellers that transact with cannabis businesses and/or our financial condition may be adversely impacted.

- Controlled substance legislation differs between states and legislation in certain states may restrict or limit our ability to sell products to Cannabis Industry Participants. Our Cannabis Industry Participants may be required to obtain separate state registrations, permits or licenses in order to be able to obtain, handle and/or distribute controlled substances in a state. Such state regulatory requirements may be costly and, the failure of such Cannabis Industry Participants to meet such regulatory requirements could lead to enforcement and sanctions by the states in addition to any from the DEA or otherwise arising under federal law. We could be implicated in such enforcement or sanctions because of the sale of our products to such Cannabis Industry Participants.
- The failure of our Cannabis Industry Participants to comply with applicable controlled substance laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the demand for our products and, as a result, the financial results of our business operations and our financial condition.

Furthermore, the Encina Credit Facility and the Term Loan Agreement each restrict our ability to sell our products directly to cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. As a result, the Subsidiary Obligors do not sell our products directly to the cannabis industry, cannabis growers or cultivators, or to sellers or retailers that sell only to the cannabis industry. See "*— Risks Relating to our Indebtedness.*"

**Intellectual Property**

We own 16 issued U.S. design patents, three issued U.S. utility patents, five issued foreign patents and designs, 38 registered U.S. trademarks, and 22 registered foreign trademarks that enable us to position ourselves and our products to a wide range of customers. Our 24 issued patents cover grow lighting and hydroponic systems and components. These issued patents and our registered trademarks allow us to build out our proprietary brand products, which we believe are high quality products and generate higher sales margins than the distributed products that we sell. Our owned U.S. and foreign issued patents are expected to expire between 2021 to 2034.

Our ability to compete effectively depends in part on our rights to trademarks, patents and other intellectual property rights we own or license. We have not sought to register every one of our trademarks either in the United States or in every country in which such mark is used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States with respect to the registered brand names and issued patents we hold. Litigation may be necessary to enforce our intellectual property and proprietary rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe, misappropriate or otherwise violate their intellectual property or proprietary rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources.

We may need to obtain licenses to patents and other intellectual property and proprietary rights held by third parties to develop, manufacture and market our products, if, for example, we sought to develop our products, in conjunction with any patented technology. If we are unable to timely obtain these licenses on commercially reasonable terms (or at all) and maintain these licenses, our ability to commercially market our products, may be inhibited or prevented.

In addition, because the manufacturing (cultivation), sale, possession and use of cannabis is illegal under federal law, companies that transact with cannabis businesses may have restricted intellectual property and proprietary rights particularly with respect to obtaining and enforcing patents and trademarks. We do not believe these restrictions apply to our business. However, if we are unable to register, or maintain, our trademarks or file for or enforce patents on any of our inventions, such an inability could materially affect our ability to protect our name, brand and proprietary technologies. See "*— Risks Relating to Our Intellectual Property*" for more information on the risks associated with intellectual and proprietary rights.

**Research and Development**

We continually invest in research and development to improve our products, manufacturing processes, packaging and delivery systems. In addition to the benefits of our own research and development, we actively seek ways to leverage the research and development activities of our suppliers and other business partners.

**Human Capital**

Our continued success depends on management implementing effective human resource initiatives in order to recruit, develop and retain key employees. Currently, we employ 212 employees, including 209 full-time employees and three part-time employees. We also employ 76 temporary workers and 10 independent contractors. None of our employees are subject to collective bargaining agreements, and we have had no labor-related work stoppages. Our retention rate for our full-time employees is approximately six years, and we employ various initiatives to increase employee retention, including offering bonus programs and training opportunities. We strive to foster an innovative and team-oriented culture and view our human capital resources and initiatives as an ongoing priority.

**Facilities**

We have over 800,000 square feet of distribution space under leases in strategic locations, including six distribution centers in the United States, two distribution centers in Canada and one distribution center in Spain. Our headquarters is located in Petaluma, California, where we operate a key distribution center and a small assembly operation. See "*Certain Relationships and Related Party Transactions.*" We have in total six facilities in the United States, two in Canada, one in Spain, and one in China.

We believe that our existing facilities are adequate for our needs at this time, although we do plan to open new distribution centers in the future to meet anticipated demand resulting from further deregulation of cannabis and overall market growth.

**Legal Proceedings**

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. We are currently not aware of any legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

**History**

Our predecessor company, originally Applied Hydroponics, Inc. was founded in 1977 in Northern California. In 1988, we opened a retail and assembly facility in Philadelphia, PA. We moved our headquarters to Petaluma, CA in 1996 and divested our retail operations in 2002. From 2003 to 2014 we expanded distributions operations by opening distribution centers in Texas, Florida, Southern California, Colorado, and Oregon. In December 2010, Peter Wardenburg and a newly formed ESOP redeemed shares from our founding stockholder. In December 2010, we established operations in Spain with the acquisition of a majority interest in Eltac.

In May 2017, we were acquired by Hydrofarm Investment Corp. ("HIC"), owned by a group of private equity sponsors, including Serruya Private Equity, Hawthorn Equity Partners Inc. and affiliates of Broadband Capital Investments, LLC in a leveraged buyout and recapitalization transaction.

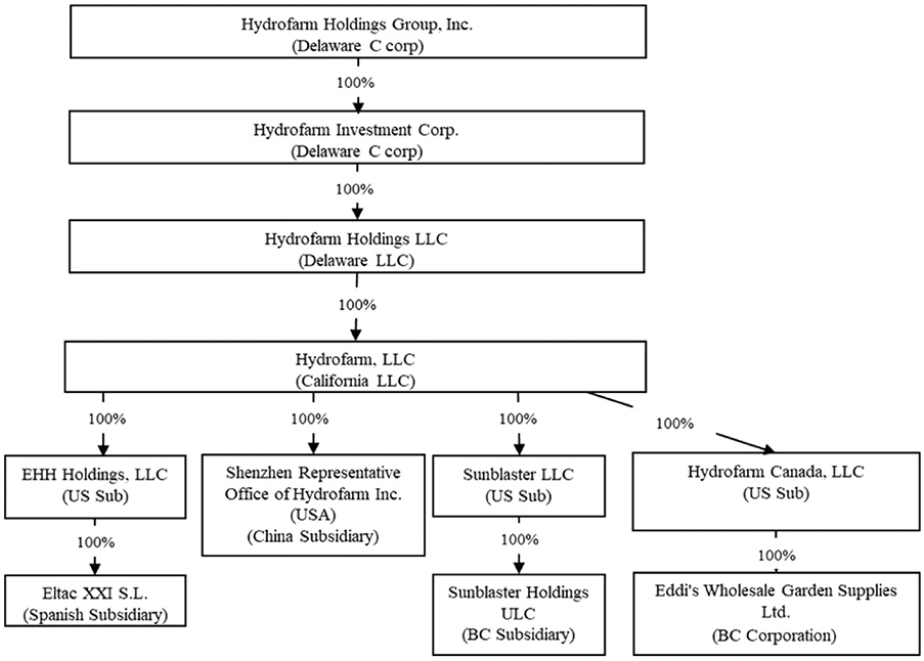
In November 2017, we established distribution operations in Canada with the acquisitions of Eddi's Wholesale Garden Supplies, Ltd. and the distribution division of Greenstar Plant Products, Inc.

In October 2018, we consummated a private placement offering of 16,619,616 units (each a "Unit," and collectively, the "Units") for gross proceeds of approximately $41.5 million (the "Private Placement"). In connection with the Private Placement, (i) HIC raised $15.2 million from its existing stockholders through the issuance of 6,094,617 units (the "Concurrent Offering") and (ii) Hydrofarm Holdings, LLC ("Hydrofarm Holdings"), a subsidiary of HIC, and its affiliates entered into certain amendments to Hydrofarm Holdings' credit facilities to amend certain covenants and other provisions under such credit facilities. The consideration in the Concurrent Offering consisted of $11.1 million in cash from existing stockholders of HIC and the conversion of $4.1 million of an aggregate principal amount plus interest outstanding under an outstanding note. Concurrently with the closing of the Private Placement, one of our wholly-owned subsidiaries merged with and into HIC, with HIC becoming our wholly-owned subsidiary and continuing its and its subsidiaries' existing business operations, including those of Hydrofarm, LLC, a subsidiary of HIC (the "Merger"). As part of the Merger, the securities of HIC issued in the Concurrent Offering were exchanged into shares of our

common stock and warrants to purchase our common stock having the same terms and conditions as the securities included in the Units issued in this Private Placement.

**Corporate Structure**

We have been in the business of indoor gardening since Hydrofarm, LLC, (originally, Applied Hydroponics, Inc.), one of our wholly-owned subsidiaries, was formed in the State of California on May 4, 1977. We conduct our business through our wholly-owned, direct and indirect subsidiaries. The chart below depicts our current organizational structure:



# MANAGEMENT

## Executive Officers and Directors

The table below contains information regarding our directors and executive officers as of the date hereof:

| Name | Age | Position |
|---|---|---|
| William Toler | 61 | Chief Executive Officer and Chairman of the Board |
| Terence Fitch | 61 | President |
| B. John Lindeman | 50 | Chief Financial Officer |
| Susan Peters | 67 | Director |
| Patrick Chung | 30 | Director |
| Renah Persofsky | 62 | Director |
| Richard D. Moss | 63 | Director |

*William Toler — Chief Executive Officer and Chairman of the Board*

Mr. Toler has served as our Chief Executive Officer and Chairman of our board of directors since January 1, 2019. Prior to joining Hydrofarm in 2019, Mr. Toler was the Chief Executive Officer of Hostess Brands, Inc. (Nasdaq: TWNK) ("Hostess"), a food and beverage company, from May 2014 to March 2018. Under his leadership, Hostess successfully re-established the iconic Hostess brand as a leader within the sweet baked goods category, returned the company to profitability and transitioned Hostess from a private to public company. Mr. Toler has over 35 years of executive leadership experience in supply chain management and consumer packaged goods, including previously having served as Chief Executive Officer of AdvancePierre Foods, from September 2008 to August 2013, and President of Pinnacle Foods. He has also held executive roles at Campbell Soup Company, Nabisco and Procter & Gamble. In addition, Mr. Toler has also served as a senior advisor at Oaktree Capital Management, an investment management firm, from September 2013 to April 2014. Mr. Toler holds a B.A. in Business Management and Economics from North Carolina State University. Mr. Toler was selected to serve as Chairman of our board of directors because of his 35 years of executive leadership experience in supply chain management and consumer packaged goods.

*Terence Fitch — President*

Mr. Fitch has served as our President since March 4, 2019. Mr. Fitch has more than 30 years of marketing, sales, finance, manufacturing, supply chain, media and supervisory experience in the beverage industry. Prior to joining Hydrofarm in 2019, Mr. Fitch spent 18 years in Coca Cola's senior management beginning in 1994, first as Regional Vice President of Sales and Marketing of the Gulf States, then as Division Vice President and General Manager, and finally as Senior Vice President and General Manager of the Western Region, responsible for a team of 13,500 sales, strategy, marketing, operations, manufacturing, supply chain, and analytical professionals, and accountable for annual sales in excess of $4.2 billion. Mr. Fitch also served as Senior Vice President and General Manager of the Western Region of Coca Cola Refreshments from 2010 to 2013. In 2013, Mr. Fitch founded Drink Teck, LLC, a functional beverage company, where he served as its Chief Executive Officer. Mr. Fitch has also served on the board of directors of the Harold Pump Foundation, on the C-5 Youth Foundation, on the USC Food Management Council, and on the Coca Cola Scholars Foundation. Mr. Fitch holds a B.S. in finance and marketing from Arizona State University.

*B. John Lindeman — Chief Financial Officer*

Mr. Lindeman has served as our Chief Financial Officer since March 2020. From August 2015 until assuming his current role at Hydrofarm Holdings in March 2020, Mr. Lindeman served as Chief Financial Officer and Corporate Secretary at Calavo Growers, Inc. (Nasdaq-GS: CVGW) ("Calavo"), a global avocado-industry leader and expanding provider of valued-added fresh food, where he was responsible for the finance, accounting, IT and human resource functions. Prior to joining Calavo, Mr. Lindeman held various leadership positions within the finance and investment banking industries, including serving as managing director at Sageworth Trust Company, a family office and private trust company, from March 2015 to July 2015, managing director and co-head of the consumer and retail group at Janney Montgomery Scott from

August 2009 to March 2015, managing director at Stifel Nicolaus from December 2005 to August 2009 and principal at Legg Mason from October 1999 to December 2005. Prior to joining Legg Mason, he was a Manager at PricewaterhouseCoopers LLP from August 1996 to October 1999. Mr. Lindeman has also served as a director of Utz Brands, Inc. (NYSE: UTZ) since September 2020. Mr. Lindeman is a Chartered Financial Analyst and holds a B.S. in Business Administration from the University of Mary Washington.

*Susan Peters — Director*

Ms. Peters has served as our director since November 10, 2020. Previously, she was the Senior Vice President of Human Resources for General Electric Company ("GE") from July 2013 until December 2017 after which she retired following 38 years of service. In her role as Chief Human Resource Officer ("CHRO"), Ms. Peters was a member of GE's senior leadership team. From 2001 to 2007 Ms. Peters served as GE's Vice President of Executive Development and served as Chief Learning Officer since 2007. In her role as the CHRO, Ms. Peters oversaw all aspects of the Human Resource function for GE's workforce of approximately 325,000 employees in 175 countries. She was responsible for all of GE's talent acquisition, talent development, learning, compensation and benefits, payroll, union relations, and security. Approximately 5,000 human resource employees worked under her leadership. Ms. Peters was first appointed as an officer at GE in 1997. Ms. Peters was a founding member of the GE Women's Network and was also a member of the GE Foundation Board and the GE Pension Board. Ms. Peters also served on the National Board of Directors of Girl Scouts of the USA from 2008 until 2017. She is currently a member of the Loews Corporation (NYSE) board of directors. Ms. Peters received her B.A. from St. Mary's College, Notre Dame and her Masters in Education from the University of Virginia. Ms. Peters was selected to serve on our board of directors because of her expertise in leadership and development and her experience serving as an officer of a global industrial company.

*Patrick Chung — Director*

Mr. Chung has served as our director since November 10, 2020. Mr. Chung currently serves as the Vice President of Finance at Serruya Private Equity Inc., which he joined in March 2018. In his role as Vice President, Mr. Chung oversees financial reporting and asset management for the fund, leads the real estate investments team, and plays a strategic role in the growth of investee companies. Previously, Mr. Chung was the Director of Finance for Inside Edge Properties Ltd. from March 2017 to March 2018. From January 2015 to March 2017, Mr. Chung served as the Assistant Manager of Finance Advisory for Deloitte. Prior to January 2015, Mr. Chung served as an Associate of Risk Assurance Services at PricewaterhouseCoopers Canada. In December 2015, Mr. Chung was designated as a Chartered Professional Accountant ("CPA") by the Chartered Professional Accountants of Ontario. Mr. Chung received his Bachelor of Accounting and Finance and Minor in Economics from the University of Waterloo in December 2011 and his Masters of Accounting from the University of Waterloo in August 2012. Mr. Chung was selected to serve on our board of directors because of his expertise in financial accounting and investment management.

*Renah Persofsky — Director*

Ms. Persofsky has served as our director since November 10, 2020. Ms. Persofsky has over 40 years of business experience. Ms. Persofsky has served as the Chief Executive Officer of Strajectory Corp. since 2010 and as an executive consultant of Canadian Imperial Bank of Commerce since 2011. Ms. Persofsky has also served as the Chairwoman of BookJane Inc. since October 2016, a director of Aphria Inc. since October 2017 and the Vice Chairwoman and Lead Director since October 2019, and the Chairwoman of Green Gruff Inc. since July 2019. Ms. Persofsky has also previously served as an executive consultant to many iconic brands including Tim Hortons, Canadian Tire, Canada Post and Interac, and was an executive officer of the Bank of Montreal. Ms. Persofsky previously co-chaired the Canadian Minister's Advisory Committee on Electronic Commerce, as well as served as a special advisor to the Minister of Foreign Affairs and Trade. Ms. Persofsky received her degree from the Rotman School of Management at the University of Toronto. Ms. Persofskywas selected to serve on our board of directors because of her global business, e-commerce expertise, and her experience with the cannabis industry.

*Richard D. Moss — Director*

Mr. Moss has served as our director since November 10, 2020. Mr. Moss served as Chief Financial Officer of Hanesbrands Inc., a leading Fortune 500 apparel company, from October 2011 until October 2017,

after which he served in an advisory role at Hanesbrands until his retirement on December 31, 2017. Prior to his appointment as Chief Financial Officer, Mr. Moss led several key financial functions, including treasury and tax, at Hanesbrands from 2006 to 2011. From 2002 to 2005, Mr. Moss served as Vice President and Chief Financial Officer of Chattem Inc., a leading marketer and manufacturer of branded over-the-counter health-care products, toiletries and dietary supplements. Since January 2018, Mr. Moss has also served as a senior advisor to Nexo Capital Partners. Mr. Moss has served as a director of Winnebago Industries, Inc., a leading U.S. recreational vehicle manufacturer, since February 2017 and has served as a director of Nature's Sunshine Products, Inc. since May 2018. Mr. Moss received a B.A. and an M.B.A from Brigham Young University. Mr. Moss was selected to serve on our board of directors because of his significant financial and corporate governance experience, including experience with public, consumer-oriented companies.

**Family Relationships**

There are no family relationships between any of our directors or executive officers.

**Investor Rights Agreement and Placement Agent Agreement**

All of our directors were previously appointed pursuant to an investor rights agreement (the "Investor Rights Agreement") entered into with, among others, Serruya Private Equity, HF I Investments LLC, HF II Investments LLC, HF III Investments LLC, Hawthorn LP, Hydrofarm Co-Investment Fund I, LP, Arch Street Holdings I, LLC, Payne Capital Corp., the Wardenburg Family Trust and A.G.P./Alliance Global Partners and SternAegis Ventures (collectively, the "Sponsors").

The Investor Rights Agreement was amended in November 2020 (as amended, the "Amended Investor Rights Agreement") to eliminate most rights, except for certain registration rights, and will become effective upon the consummation of this offering.

In connection with the Private Placement, we entered into a placement agent agreement (the "Placement Agent Agreement") with A.G.P./Alliance Global Partners and SternAegis Ventures (the "Placement Agents''). The Placement Agent Agreement provides the Placement Agents with the right to appoint a director to our board of directors (the "PA Director"). Adam Stern, one of our former directors, was as the PA Director pursuant to the Placement Agents' rights under the Placement Agent Agreement.

**Leadership Structure of Our Board of Directors**

Our board of directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The primary responsibility of our board of directors is to oversee our management and, in doing so, serve our best interests and the best interests of our stockholders. Our board of directors selects, evaluates and provides for the succession of executive officers and, subject to stockholder election, directors. It reviews and approves corporate objectives and strategies, and evaluates significant policies and proposed major commitments of corporate resources. Our board of directors also participates in decisions that have a potential major economic impact on us. Management keeps the directors informed of company activity through regular communication, including written reports and presentations at board of directors and committee meetings.

We have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined. However, we have determined that it is in our best interest and the best interest of our stockholders to appoint Mr. Toler as our Chairman and Chief Executive Officer.

Our officers are appointed by our board of directors and hold office until they resign or are removed from office by the board of directors.

Ms. Peters, Ms. Persofsky, Mr. Chung and Mr. Moss qualify as independent directors. We plan to add one member to our board of directors prior to the effectiveness of this registration statement.

**Classified Board of Directors**

We have adopted an amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering. Our amended and restated certificate of incorporation provides that, upon the consummation of this offering, our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

- the Class I directors will be Mr. Toler and Mr. Chung and their terms will expire at the annual meeting of stockholders to be held in 2021;
- the Class II directors will be Ms. Persofsky and and their terms will expire at the annual meeting of stockholders to be held in 2022; and
- the Class III directors will be Mr. Moss and Ms. Peters and their terms will expire at the annual meeting of stockholders to be held in 2023.

Each director's term will continue until the election and qualification of their successor, or their earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. See the section titled "*Description of Capital Stock — Anti-Takeover Provisions — Classified Board of Directors*."

**Committees of the Board of Directors**

Our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Subject to phase-in rules and a limited exception, the rules of NASDAQ and Rule 10A-3 of the Exchange Act require that the audit committee of a listed company be comprised solely of independent directors, and the rules of NASDAQ require that the compensation committee of a listed company be comprised solely of independent directors.

*Audit Committee*

Prior to the consummation of this offering, we will establish an audit committee of the board of directors. Mr. Moss (Chair), Ms. Persofsky and will serve as members of our audit committee. Under the NASDAQ listing standards and applicable SEC rules, we are required to have at least three members of the audit committee, all of whom must be independent.

Each member of the audit committee is financially literate and our board of directors has determined that qualifies as an "audit committee financial expert" as defined in applicable SEC rules.

Our audit committee charter details the principal functions of the audit committee, including:

- the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;
- resolving any disagreements between management and the independent auditor regarding financial reporting;
- pre-approving all audit and permitted non-audit services to be provided by the independent auditors or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- reviewing and discussing with the independent auditors all relationships the auditors have with us in order to evaluate their continued independence;
- setting clear hiring policies for employees or former employees of the independent auditors;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;

- seeking information that we require from employees or any of our direct or indirect subsidiaries (each, a "Subsidiary"), all of whom are directed to cooperate with the audit committee's requests, or external parties;
- meeting with any of our officers or employees (or officers or employees of any Subsidiary), the independent auditor or outside counsel, as necessary, or request that any such persons meet with any members of, or advisors or consultants to, the audit committee;
- obtaining and reviewing a report, at least annually, from the independent auditors describing (i) the independent auditor's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction;
- overseeing that management has established and maintained processes to assure compliance by us with applicable laws, regulations and corporate policy; and
- reviewing with management, the independent auditors, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities.

*Compensation Committee*

Prior to the consummation of this offering, we will establish a compensation committee of the board of directors. Ms. Peters, Mr. Chung and will serve as members of our compensation committee. Under the NASDAQ listing standards and applicable SEC rules, we are required to have at least two members of the compensation committee, all of whom must be independent. Ms. Peters, Mr. Chung and are independent.

Our compensation committee charter details the principal functions of the compensation committee, including:

- discharging the responsibilities of the board of directors relating to compensation of our directors and executive officers;
- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer based on such evaluation;
- reviewing and approving on an annual basis the compensation of all of our other officers;
- reviewing on an annual basis our executive compensation policies and practices;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- periodically review executive supplementary benefits and, as appropriate, our retirement, benefit, and special compensation programs;
- overseeing the annual process of evaluation of the performance of our management;
- if required, producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing and recommending compensation of the directors, including with respect to any equity-based plans.

It is likely that prior to the consummation of an initial business combination, the compensation committee will only be responsible for the review and recommendation of any compensation arrangements to be entered into in connection with such initial business combination.

The compensation committee charter will also provide that the compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by NASDAQ and the SEC.

*Nominating and Corporate Governance Committee*

Prior to the consummation of this offering, we will establish a nominating and corporate governance committee of the board of directors. Ms. Persofsky, Mr. Chung and will serve as members of our nominating and corporate governance committee. Ms. Persofsky, Mr. Chung and meet the requirements for independence under the listing standards of the NASDAQ and SEC rules and regulations.

Our nominating and corporate governance committee charter details the principal functions of the nominating and corporate governance committee, including:

- evaluating the current composition, organization and governance of the board of directors and its committees, and making recommendations to the board of directors for approval;
- annually reviewing for each director and nominee to the board of directors, the particular experience, qualifications, attributes or skills that contribute to the conclusion that the person should serve or continue to serve as our director, as well as how the directors' skills and background enable them to function well together as a board of directors;
- determining desired board member skills and attributes and conducting searches for prospective directors whose skills and attributes reflect those desired;
- evaluating and proposing nominees for election to the board of directors with a view to establishing a well-rounded, diverse, knowledgeable, and experienced board of directors;
- administering the annual board of directors performance evaluation process, including conducting surveys of director observations, suggestions and preferences;
- evaluating and making recommendations to the board of directors concerning the appointment of directors to our committees, the selection of our committee chairs, and proposal of the slate of directors for election to the board of directors;
- overseeing the process of succession planning for the Chief Executive Officer and, as warranted, other senior officers;
- developing, adopting and overseeing the implementation of our code of business conduct and ethics for all of our directors, executive officers and employees;
- reviewing and maintaining oversight of matters relating to the independence of board of directors and committee members, keeping in mind the independence standards of the Sarbanes-Oxley Act of 2002 and the rules of NASDAQ;
- overseeing and assessing the effectiveness of the relationship between the board of directors and our management; and
- overseeing our environmental, social and governance ("ESG") strategy, initiatives and policies, which will include receiving periodic reports from management regarding our ESG efforts and periodically providing reports to the board of directors on ESG matters.

**Board Diversity**

Our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. Although our board of directors does not have a formal written diversity policy with respect to the evaluation of director candidates, in its evaluation of director candidates, our nominating and corporate governance committee will consider factors including, without limitation, issues of character, integrity, judgment, potential conflicts of interest, other commitments and diversity, and with respect to diversity, such factors as gender, race, ethnicity and experience, area of expertise, as well as other individual qualities and attributes that contribute to the total diversity of viewpoints and experience represented on the board of directors.

***Code of Conduct and Ethics***

Our board of directors has adopted a code of conduct and ethics and whistle blower policy that applies to all of our employees, officers and directors. The full text of our code of conduct and ethics and whistle blower policy will be posted on the investor relations page on our website. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act. Our code of conduct and ethics and whistle blower policy also addresses conflicts of interest that may arise between our business and the future business activities of our directors, executive officers or employees.

***Board's Role in Risk Oversight***

Effective risk oversight is an important priority of the board of directors. Because risks are considered in virtually every business decision, the board of directors discusses risk throughout the year generally or in connection with specific proposed actions. The board of directors' approach to risk oversight includes understanding the critical risks in our business and strategy, evaluating our risk management processes, allocating responsibilities for risk oversight among the full board of directors, and fostering an appropriate culture of integrity and compliance with legal responsibilities.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Summary Compensation Table

The following table contains information concerning the compensation paid during each of the two years ended December 31, 2019 and 2018 to persons covered by Item 401(m)(2) of Regulation S-K (the "Named Executive Officers").

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Nonequity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Bill Toler, Chief Executive Officer and Chairman of the Board[1] | 2019 | 475,243 | — | [1] | — | — | — | — | 475,243 |
| Terence Fitch, President[2] | 2019 | 237,945 | — | [2] | — | — | — | — | 237,945 |
| Peter Wardenburg, Former Chief Executive Officer and Director[3] | 2019 | 60,000 | — | — | — | — | — | — | 60,000 |
| | 2018 | 78,462 | — | — | — | — | — | 49,085[4] | 127,547 |
| Bob Clamp, Former Chief Operating Officer[5] | 2019 | 57,981 | — | — | — | — | — | 157,018[5] | 214,999 |
| | 2018 | 190,385 | — | — | — | — | — | 24,751 | 215,136 |
| Jeff Peterson, Former Chief Financial Officer[6] | 2019 | 250,000 | — | — | — | — | — | 2,404 | 252,404 |
| | 2018 | 237,500 | 95,000 | | | | | | 332,500 |

(1) Mr. Toler joined the Company as Chief Executive Officer and Chairman of the Board in January 2019. Mr. Toler was granted 3,487,278 and 1,394,912 restricted stock units ("RSUs") in January 2019 and December 2019, respectively.

(2) Mr. Fitch joined the Company as President in March 2019. Mr. Fitch was granted 1,255,420 RSUs in April 2019.

(3) Mr. Wardenburg voluntarily reduced his salary in December 2017. On December 31, 2018, Mr. Wardenburg transitioned from his role as our Chief Executive Officer to a revised role as Vice Chairman of our board of directors and on November 10, 2020 was replaced on our board of directors.

(4) Amount reflects gross-up of executive reimbursed expenses.

(5) Mr. Clamp joined the Company as Chief Operating Officer in April 2018. Mr. Clamp departed the Company in February 2019 and received severance of $157,018.

(6) Mr. Peterson received bonuses in 2018 related to the May 2017 change of control transaction. Mr. Peterson received an option grant of 344,251 options on February 18, 2019. In March 2020, Mr. Peterson transitioned from his role as our Chief Financial Officer to a revised role in our finance group.

### Narrative Disclosure to Summary Compensation Table

*Executive Employment Agreements*

The following description relates to employment agreements between us and our executive officers.

Bill Toler — Chief Executive Officer

In February 2019, we entered into an employment agreement with Mr. Toler, to serve as Chairman and Chief Executive Officer. Mr. Toler's employment agreement provides for, among other things, base salary, annual performance and retention bonus, severance payments and the continuation of certain benefits following certain terminations of employment by us under specified circumstances or the termination of

employment for good reason (as defined in the employment agreement) by Mr. Toler. Under the provisions of the agreement, Mr. Toler's base salary was $500,000 per year which was voluntarily reduced to $150,000 per year through September 30, 2019, at which time Mr. Toler's base salary reset to $500,000. The agreement also includes an annual performance and retention bonus of up to fifty percent of his base salary rate based upon our board of directors' assessment of his performance and our attainment of goals as mutually agreed between him and our board of directors. Under the agreement, if Mr. Toler's employment is terminated by us without cause (as defined in the employment agreement), or Mr. Toler resigns for good reason (as defined in the employment agreement), Mr. Toler will (i) have the right to receive an amount equal to the greater of $250,000 or six months of his base salary and the reimbursement of health premiums until the earlier of six months following termination, the date on which healthcare coverage is obtained from another source or until he ceases to be entitled to continuing coverage under our health plan, (ii) receive a salary true-up bonus if his employment terminates before September 30, 2019, which will be equal to a pro-rated payment of $350,000 based upon his length of service and (iii) have all unvested equity awards held by him which vest over the twelve month period following his termination immediately vest and forfeit all other unvested equity awards. If Mr. Toler resigns without good reason or if his employment is terminated by us for cause, all of his vested equity awards previously granted to him will be forfeited. Mr. Toler's employment agreement also provides that if his employment is terminated by him due to resignation without good reason, or by us for cause, or by either party as a result of his death or disability, he will receive (i) his base salary accrued through his last day of employment, (ii) any unused vacation (if applicable) accrued through his last day of employment, (ii) any earned but unpaid annual bonus for the calendar year ended immediately prior to his last day of employment and (iv) reimbursement of any reimbursed business expenses. Under these circumstances, he will not be entitled to any other form of compensation from us, including any severance benefits, other than any rights to which he is entitled our benefit programs, stock option plan or equity grant documents between him and us.

Mr. Toler's employment agreement also contains a mutual non-disparagement covenant, intellectual property covenants and confidentiality covenants prohibiting Mr. Toler from, among other things, disclosing confidential information relating to us. The employment agreement also contains non-solicitation restrictions, pursuant to which Mr. Toler will not be permitted to solicit our employees in certain circumstances for a period of 12 months following his termination of employment for any reason.

Terence Fitch — President

In March 2019, we entered into an employment agreement with Mr. Fitch, to serve as President. Mr. Fitch's employment agreement provides for, among other things, base salary, annual performance and retention bonus, severance payments and the continuation of certain benefits following certain terminations of employment by us under specified circumstances or the termination of employment for good reason (as defined in the employment agreement) by Mr. Fitch. Under the provisions of the agreement, Mr. Fitch's base salary was $300,000 per year which was voluntarily reduced to $150,000 per year until September 30, 2019, at which time Mr. Fitch's base salary reset to $300,000. The agreement also includes an annual performance and retention bonus of up to fifty percent of his base salary rate based upon our board of directors' assessment of his performance and our attainment of goals as mutually agreed between him and our board of directors. Under the agreement, if Mr. Fitch's employment is terminated by us without cause (as defined in the employment agreement), or Mr. Fitch resigns for good reason (as defined in the employment agreement), Mr. Fitch will (i) have the right to receive an amount equal to the greater of $150,000 or six months of his base salary and the reimbursement of health premiums until the earlier of six months following termination, the date on which healthcare coverage is obtained from another source or until he ceases to be entitled to continuing coverage under our health plan, (ii) receive a salary true-up bonus if his employment terminates before September 30, 2019, which will be equal to a pro-rated payment of $150,000 based upon his length of service and (iii) have all unvested equity awards held by him which vest over the twelve month period following his termination immediately vest and forfeit all other unvested equity awards. If Mr. Fitch resigns without good reason or if his employment is terminated by us for cause, all of his vested equity awards previously granted to him will be forfeited. Mr. Fitch's employment agreement also provides that if his employment is terminated by him due to resignation without good reason, or by us for cause, or by either party as a result of his death or disability, he will receive (i) his base salary accrued through his last day of employment, (ii) any unused vacation (if applicable) accrued through his last day of employment, (ii) any earned but unpaid annual bonus for the calendar year ended immediately prior to his last day of employment and (iv) reimbursement of any reimbursed business expenses. Under these circumstances, he will not be entitled to any other form of

compensation from us, including any severance benefits, other than any rights to which he is entitled our benefit programs, stock option plan or equity grant documents between him and us.

Mr. Fitch's employment agreement also contains a mutual non-disparagement covenant, intellectual property covenants and confidentiality covenants prohibiting Mr. Fitch from, among other things, disclosing confidential information relating to us. The employment agreement also contains non-solicitation restrictions, pursuant to which Mr. Fitch will not be permitted to solicit our employees in certain circumstances for a period of 12 months following his termination of employment for any reason.

B. John Lindeman — Chief Financial Officer

In February 2020, we entered into an offer letter with Mr. Lindeman, to serve as Chief Financial Officer. Mr. Lindeman's offer letter provides for, among other things, base salary, annual performance bonus and severance payments. Under the provisions of the offer letter, Mr. Lindeman's base salary is $475,000 per year. The offer letter also includes an annual performance bonus of up to fifty percent of Mr. Lindeman's base salary rate based upon our board of directors' assessment of his performance and our attainment of goals as determined by our board of directors and guarantees fifty percent of the pro-rated amount of the annual performance bonus for his first year of employment. The offer letter also includes an award of restricted stock units equal to 1.75% of the Company which vests over four years as follows: 25% vest after a 12-month service period following the award, and the balance vest in equal monthly installments over the next 36 months of service. Under the offer letter, Mr. Lindeman's employment is at will. If Mr. Lindeman's employment is terminated, Mr. Lindeman will (i) be paid cash severance of an amount equal to the greater of (x) $237,500 or (y) six months of his base salary in effect as of the date of separation and (ii) have all unvested equity awards held by him which vest over the twelve month period following his termination immediately vest and forfeit all other unvested equity awards.

Peter Wardenburg — Former Chief Executive Officer

In April 2017, we entered into an employment agreement with Mr. Wardenburg, to serve as President and Chief Executive Officer. Mr. Wardenburg's employment agreement expired in April 2020. Mr. Wardenburg has been an employee of Hydrofarm since 1980. He was appointed Chief Executive Officer in 2010. Mr. Wardenburg's employment agreement provided for, among other things, base salary of $440,000 per year plus annual performance and retention bonus. However, beginning in March 2018, Mr. Wardenburg, had voluntarily served in his capacity as our Chief Executive Officer at a reduced salary of $55,385. On December 31, 2018, Mr. Wardenburg transitioned from his role as our Chief Executive Officer to a revised role as Vice Chairman of our board of directors and on November 10, 2020 was replaced on our board of directors.

Mr. Wardenburg's employment agreement also contains a mutual non-disparagement covenant, intellectual property covenants and confidentiality covenants prohibiting Mr. Wardenburg from, among other things, disclosing confidential information relating to us. The employment agreement also contains non-solicitation restrictions, pursuant to which Mr. Wardenburg will not be permitted to solicit our employees in certain circumstances for a period of 12 months following his termination of employment for any reason.

Bob Clamp — Former Chief Operating Officer

In April 2018, we entered into an employment agreement with Mr. Clamp to serve as our Chief Operating Officer. Mr. Clamp's employment commenced on April 1, 2018 and the agreement was terminated in February 2019. Mr. Clamp's employment agreement provided for, among other things, base salary, annual performance and retention bonus, severance payments and the continuation of certain benefits following certain terminations of employment by us. Under these provisions, Mr. Clamp's base salary was $300,000 per year with an annual performance and retention bonus of up to twenty-five percent of his base salary rate based upon our board of directors' assessment of his performance and the Company's attainment of goals as mutually agreed between him and our board of directors. Mr. Clamp received a severance payment of $150,000 following the termination of his employment.

Mr. Clamp's employment agreement also contains a mutual non-disparagement covenant, intellectual property covenants and confidentiality covenants prohibiting Mr. Clamp from, among other things, disclosing

confidential information relating to us. The employment agreement also contains non-solicitation restrictions, pursuant to which Mr. Clamp will not be permitted to solicit our employees in certain circumstances for a period of 12 months following his termination of employment for any reason.

Jeff Peterson — Former Chief Financial Officer

In April 2017, we entered into an employment agreement with Mr. Peterson to serve as our Chief Financial Officer. Mr. Peterson's employment commenced in April 2011 and in March 2020, Mr. Peterson transitioned from his role as our Chief Financial Officer to a revised role in our finance group and his employment agreement terminated in April 2020. Mr. Peterson's employment agreement provided for, among other things, a base salary of $250,000 per year.

Mr. Peterson's employment agreement also contains a mutual non-disparagement covenant, intellectual property covenants and confidentiality covenants prohibiting Mr. Peterson from, among other things, disclosing confidential information relating to us. The employment agreement also contains non-solicitation restrictions, pursuant to which Mr. Peterson will not be permitted to solicit our employees in certain circumstances for a period of 12 months following his termination of employment for any reason.

**Outstanding equity awards at 2019 fiscal year end**

*Outstanding Equity Awards at Fiscal Year-End*

| | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($) | Option Exercise Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested ($)[1] | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) |
| Bill Toler, Chief Executive Officer and Chairman of the Board[2] | — | — | — | — | — | 4,882,190 | — | — | — |
| Terence Fitch, President[3] | — | — | — | — | — | 1,255,420 | — | — | — |
| Peter Wardenburg, Former Chief Executive Officer and Director[4] | — | — | — | — | — | — | — | — | — |
| Bob Clamp, Former Chief Operating Officer[5] | — | — | — | — | — | — | — | — | — |
| Jeff Peterson, Former Chief Financial Officer[6] | 149,430 | 194,821 | — | $2.50 | — | — | — | — | — |

(1) The market price for our common stock is based upon the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

(2) Mr. Toler joined the Company as Chief Executive Officer and Chairman of the Board in January 2019. Mr. Toler was granted 3,487,278 and 1,394,912 restricted stock units ("RSUs") in January 2019 and December 2019, respectively.

(3) Mr. Fitch joined the Company as President in March 2019. Mr. Fitch was granted 1,255,420 RSUs in April 2019.

(4) On December 31, 2018, Mr. Wardenburg transitioned from his role as our Chief Executive Officer to a revised role as Vice Chairman of our board of directors and on November 10, 2020 was replaced on our board of directors.

(5) Mr. Clamp joined the Company as Chief Operating Officer in April 2018. Mr. Clamp departed the Company in February 2019.

(6) Mr. Peterson received an option grant of 344,251 options on February 18, 2019. As of December 31, 2019 149,430 options are vested and 194,821 are unvested. In March 2020, Mr. Peterson transitioned from his role as our Chief Financial Officer to a revised role in our finance group.

*Equity Awards during fiscal 2020*

During the year ending December 31, 2020, we made awards of 2,755,736 RSUs and 255,136 options to purchase up to 255,136 shares of common stock. Of such awards, awards in the aggregate of 250,000 shares without any continued vesting or performance conditions, were made to certain executive officers and former directors (some of who were also our principal stockholders) and their affiliates; 50,000 each to Mr. Adam Stern, Mr. Chris Payne, Mr. John Tomes, Serruya Private Equity and a former employee of Serruya Private Equity. In addition, an award of 1,000,000 RSUs was made to Mr. Michael Rapoport which vests over time and only vests if certain trading price objectives are met following the offering. An aggregate of 400,000 of such awards were made subsequent to the quarter ended September 30, 2020 and, accordingly, the compensation expense related to such awards has not been reflected in our financial statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Selling, general and administrative expenses*".

***Aggregated Option Exercises and Fiscal Year-End Option Value***

No options were exercised during the year ended December 31, 2019.

**Directors' Compensation**

In October 2020, our board of directors adopted a new compensation policy for our directors. This policy was developed with input from our independent compensation consultant, Korn Ferry, regarding practices and compensation levels at comparable companies. It is designed to attract, retain and reward non-employee directors.

Under this director compensation policy, each non-employee director will receive an annual director fee of $50,000. The chair of our audit committee will be paid an additional fee of $25,000, the chair of our compensation committee will be paid an additional fee of $15,000, and the chair of our nominating and corporate governance committee will be paid an additional fee of $10,000. Each director will also receive annual equity awards on the date of each annual meeting of our stockholders with a grant date value of $100,000 which will vest after one year of service (provided that the initial grant value will be pro rata for the period from the completion of this offering until the first annual meeting of our stockholders).

**Board Observers**

The Placement Agent Agreement provides the Placement Agents with the right to nominate one person to act as an observer on our board of directors and to attend all meetings of the board of directors in a nonvoting observer capacity and, in this respect, we are obligated to give such persons a copy of all notices, minutes, consents, and other materials that the board of directors provides to its directors at the same time and in the same matter provided to such directors. Further, the Term Loan Agreement provides Brightwood with the right to appoint one designee to attend all meetings of the board of directors, its committees and any other meeting of a similar governing body of each of our subsidiaries that are borrowers under the Term Loan Agreement in a nonvoting observer capacity and, in this respect, we are obligated to give such persons a copy of all notices, minutes, consents, and other materials that any such entity provides to its directors at the same time and in the same manner as provided to all directors, subject to certain limitations.

**Director and Officer Indemnification Agreements and Insurance**

We have entered into indemnification agreements with each of our directors and executive officers (the "Indemnification Agreements"). Such Indemnification Agreements provide for indemnification against expenses, judgments, fines and penalties actually and reasonably incurred by an indemnitee in connection with threatened, pending or completed actions, suits or other proceedings, subject to certain limitations. The

Indemnification Agreements also provide for the advancement of expenses in connection with a proceeding prior to a final, non-appealable judgment or other adjudication, provided that the indemnitee provides an undertaking to repay to us any amounts advanced if the indemnitee is ultimately found not to be entitled to indemnification by us. The Indemnification Agreements set forth procedures for making and responding to requests for indemnification or advancement of expenses, as well as dispute resolution procedures that will apply to any dispute between us and an indemnitee arising under the Indemnification Agreements.

We maintain directors' and officers' liability insurance coverage for our directors and officers in their capacities as our directors and officers.

**Equity Incentive Plans**

Our 2018, 2019 and 2020 Equity Incentive Plans were established to attract, retain and motivate our employees, officers, directors, consultants, agents, advisors and independent contractors by providing them with the opportunity to acquire a proprietary interest in us and to their interests and efforts to the long-term interests of our stockholders. On August 22, 2018, the board of directors adopted our 2018 Equity Incentive Plan, on December 19, 2019, the board of directors adopted the 2019 Equity Incentive Plan and on November 10, 2020, the board of directors adopted the 2020 Equity Incentive Plan (collectively, the "Plans"). The Plans provide for, among other things, grants of restricted stock units, stock options, restricted stock and other stock-based awards to employees, directors, consultants and other individuals who provide services to us and our affiliates. As of September 30, 2020, we have 8,718,196 and 3,487,278 shares of our common stock reserved for issuance under the 2018 Equity Incentive Plan and under the 2019 Equity Incentive Plan, respectively. After the approval of the 2020 Equity Incentive Plan by our stockholders, we do not intend to make any additional grants under the 2018 and 2019 Equity Incentive Plans.

***Administration.*** The Plans are administered by the board of directors. Notwithstanding the foregoing, the board of directors may delegate concurrent responsibility for administering each plan, including with respect to designated classes of persons eligible to receive an award under each plan, to a committee or committees (which term shall include subcommittees) consisting of one or more members of the board of directors, subject to such limitations as the board of directors deems appropriate.

***Plan Term.*** The 2018 Equity Incentive Plan, the 2019 Equity Incentive Plan, and the 2020 Equity Incentive Plan will terminate on August 22, 2028, December 19, 2029, and November , 2030, respectively.

***Types of Awards.*** The Plans permit the award of options, stock appreciation rights, stock awards, restricted stock, stock units, performance shares, performance units, cash-based awards or other incentives payable in cash or in shares of common stock, as may be designated by the plan administrator.

***Evidence of Awards.*** Awards under the Plans shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the plan administrator shall deem advisable and that are not inconsistent with the plan.

***Dividends and Distributions.*** Participants may, if the plan administrator so determines, be credited with dividends or dividend equivalents paid with respect to shares of common stock underlying an award in a manner determined by the plan administrator in its sole discretion in accordance with the Plans.

***Eligibility.*** Under the 2018 Equity Incentive Plan, an award may be granted to any of our employees, officers or directors or any entity that, directly or indirectly, is in control of, is controlled by, or is under common control with us (a "related company"), whom the plan administrator from time to time selects. Certain awards may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to us or a related company. Under each of the 2019 and 2020 Equity Incentive Plan, an award may be granted to any of our employees, directors or consultants or of any corporation or other entity which, for the purposes of Section 424 of the Code, is our parent or subsidiary, direct or indirect (an "affiliate").

***Option Exercise Price.*** Options shall be granted with an exercise price per share not less than 100% of the fair market value of the common stock on the grant date and, with an exercise price per share not less than 110% of the fair market value of the common stock on the grant date, for options granted to a 10% stockholder).

***Term of Options.*** Subject to earlier termination in accordance with the terms of the Plans and the instrument evidencing the option, the maximum term of the option shall be ten years from the grant date.

***Exercise of Options.*** The plan administrator shall establish and set forth in each instrument that evidences the option the time at which, or the installments in which, the option shall vest and become exercisable. To the extent an option becomes exercisable, the option may be exercised in whole or from time to time in part by delivery to or as directed or approved by us of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the plan administrator. An option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the plan administrator.

***Stock Appreciation Rights.*** The plan administrator may grant stock appreciation rights to participants at any time on such terms and conditions as the plan administrator shall determine in its sole discretion. A stock appreciation right may be granted in tandem with an option or alone. The grant price of a tandem stock appreciation right shall be equal to the exercise price of the related option. The grant price of a freestanding stock appreciation right shall be established in accordance with the procedures for options set forth in the plan. A stock appreciation right may be exercised upon such terms and conditions and for the term as the plan administrator determined in its sole discretion.

***Term of Stock Appreciation Rights.*** The maximum term for a freestanding stock appreciation right shall be ten years. The maximum term for a tandem stock appreciation right shall be the term of the related option.

***Payment of Stock Appreciation Right Amount.*** Upon the exercise of the stock appreciation right, a participant shall be entitled to receive payment in an amount determined by multiplying (i) the difference between the fair market value of the common stock on the date of exercise over the grant price of the stock appreciation right by (ii) the number of shares with respect to the which the stock appreciation right is exercised.

***Stock Awards, Restricted Stock and Stock Units.*** The plan administrator may grant stock awards, restricted stock and stock units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with us or a related company or the achievement of any performance goals, as the plan administrator shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the award.

***Vesting of Restricted Stock and Stock Units.*** Upon satisfaction of any terms, conditions and restrictions prescribed with respect to restricted stock or stock units, or upon a participant's release from any terms, conditions and restrictions on restricted stock or stock units, as determined by the plan administrator, (i) the shares covered by each award of restricted stock shall become freely transferable by the participant subject to the terms and conditions of the plan, the instrument evidencing the award, and applicable securities laws, and (ii) stock units shall be paid in shares of common stock or, if set forth in the instrument evidencing the awards, in cash or a combination of cash and shares of common stock.

***Performance Shares.*** The plan administrator may grant awards of performance shares, designate to whom the performance shares are to be awarded and determine the number of performance shares and the terms and conditions of each such award. Performance shares shall consist of a unit valued by reference to a designated number of shares of common stock, the value of which may be paid to the participant by delivery of shares of common stock, or, if set forth in the instrument evidencing the awards, of such property as the plan administrator shall determine, including, without limitation, cash, shares of common stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the plan administrator.

***Performance Units.*** The plan administrator may grant awards of performance units, designate the participants to whom performance units are to be awarded and determine the number of performance units and the terms and conditions of each such award. performance units shall consist of a unit valued by reference to a designated amount of property other than shares of common stock, which value may be paid to the participant by delivery of such property as the plan administrator shall determine, including, without

limitation, cash, shares of common stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the plan administrator, and other terms and conditions specified by the plan administrator.

***Other Stock or Cash-Based Awards.*** Subject to the terms of the plan and such other terms and conditions as the plan administrator deems appropriate, the plan administrator may grant other incentives payable in cash of shares of common stock under the applicable plan.

***Restrictions on Transfer.*** No award or interest in an award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the participant designates one or more beneficiaries on our approved form who may exercise the award or receive payment under the award after the participant's death. During a participant's lifetime, an award may be exercised only by the participant. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the U.S. Internal Revenue Code of 1986, as amended, with respect to incentive stock options, the plan administrator, in its sole discretion, may permit a participant to assign or transfer an award, subject to such terms and conditions as the plan administrator shall specify.

***Adjustment of Shares.*** In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in our corporate or capital structure results in (a) outstanding shares of common stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of our securities or any other company or (b) new, different or additional securities of ours or any other company being received by the holders of shares of common stock, then the plan administrator shall make proportional adjustments in (i) the maximum number and kind of securities available for issuance under the plan; (ii) the maximum number and kind of securities issuable as incentive stock options; and (iii) the number and kind of securities that are subject to any outstanding award and the per share price of such securities, without any change in the aggregate price to be paid therefor.

***Amendment, Suspension or Termination.*** The board of directors or an authorized committee thereof may amend, suspend or terminate the plan or any portion of the plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the plan; and provided, further, that the board of directors shall be required to approve any amendment that requires stockholder approval. Subject to the terms of the plan, the board of directors or an authorized committee thereof may amend the terms of any outstanding award, prospectively or retroactively.

***Change in Control***. Under the 2018 Equity Incentive Plan, upon a merger or other reorganization event, the board of directors may, it its sole discretion, take any one or more of the following actions pursuant to the plan, as to some or all outstanding awards:

- provide that all outstanding options shall be assumed or substituted by the successor corporation, in the event that such outstanding options are not assumed or substituted by the successor corporation, such options shall become fully vested and exercisable or payable and all applicable restrictions or forfeiture provisions shall lapse;
- all performance based awards earned and outstanding shall be payable in full in accordance with the payout schedule in the award instrument; and
- in lieu of the foregoing, all performance based awards may also be terminated by the board of directors, its is sole discretion, and the holder shall receive a cash payment equal to the consideration payable upon consummation of such transaction to a holder of the number of shares of common stock comprising such award.

Under each of the 2019 and 2020 Equity Incentive Plan, upon a merger or other reorganization event, the board of directors may, it its sole discretion, take any one or more of the following actions pursuant to the plans, as to some or all outstanding awards:

- provide that all outstanding options shall be assumed or substituted by the successor corporation;

- upon written notice to a participant provide that the participant's unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the participant;
- in the event of a merger pursuant to which holders of our common stock will receive a cash payment for each share surrendered in the merger, make or provide for a cash payment to the participants equal to the difference between the merger price times the number of shares of our common stock subject to such outstanding options, and the aggregate exercise price of all such outstanding options, in exchange for the termination of such options;
- provide that outstanding awards shall be assumed or substituted by the successor corporation, become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the merger or reorganization event; and
- with respect to stock grants and in lieu of any of the foregoing, the board of directors or an authorized committee may provide that, upon consummation of the transaction, each outstanding stock grant shall be terminated in exchange for payment of an amount equal to the consideration payable upon consummation of such transaction to a holder of the number of shares of common stock comprising such award (to the extent such stock grant is no longer subject to any forfeiture or repurchase rights then in effect or, at the discretion of our board of directors or an authorized committee, all forfeiture and repurchase rights being waived upon such transaction).

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2017, to which we were a party in which the amount involved exceeded or will exceed the lesser of $120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of our executive officers, directors or holders of more than 5% of any class of our voting securities, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or the consideration that we paid or received, as applicable, in connection with the transactions described below are comparable to terms available or amounts that would be paid or received, as applicable, in arms'-length transactions with parties unrelated to us.

### McDowell Lease Agreement

The Petaluma HQ is leased, in part, from one of our former directors and one of our principal stockholders, Peter Wardenburg through his ownership interests in McDowell Group, LLC ("McDowell Group"). Mr. Wardenburg owns 50% of McDowell Group. We lease the Petaluma HQ on a month-to-month basis. In 2019, 2018 and the period from inception (March 21, 2017) to December 31, 2017 (the "2017 Stub Period"), aggregate rent expense totaled approximately $1.3 million, $1.2 million and $1.4 million, respectively. For the nine months ended September 30, 2020, aggregate rent expense totaled approximately $1.0 million.

### Management Agreements

On May 12, 2017, we entered into management agreements (the "Management Agreements") with Hawthorn Equity Partners Inc. ("Hawthorn Equity"), an affiliate of our 5% shareholder, Hawthorn LP and JAMS Holdings LLC ("JAMS") an affiliate of our greater than 5% shareholder, Serruya Private Equity. Pursuant to the Management Agreements, Hawthorn Equity and JAMS provided us with various management services, including transaction advisory, financial and management consulting services. In consideration for these services, the management fees payable to Hawthorn Equity and JAMS annually were approximately $139,000 and $711,000, respectively, in addition to certain costs and expenses incurred while rendering the services stipulated in the Management Agreements. Pursuant to the Management Agreements, we incurred aggregate management fees and reimbursable expenses of nil, $213,000 and $541,000 for the years ended December 31, 2019 and 2018 and the 2017 Stub Period. Certain of our current directors, Chris Payne and John Tomes, are affiliates of Hawthorn LP, and certain of our former directors, Michael Serruya, Arron Serruya and Simon Serruya are affiliates of Serruya Private Equity. Total management fees paid to Hawthorn Equity for fiscal years 2019 and 2018 and the 2017 Stub Period were nil, $35,000 and $88,000, respectively. Total management fees paid to JAMS for fiscal years 2019 and 2018 and the 2017 Stub Period were nil, $178,000 and $453,000, respectively.

The Management Agreements were terminated in October 2018.

### Cader Sublease

The Cader Lane Warehouse is leased, in part, from Mr. Peter Wardenburg, one of our former directors and one of our principal stockholders, through his ownership interests in Cader Lane, LLC. Mr. Wardenburg is 50% owner of Cader Lane, LLC. We lease 31,000 square feet. The lease's monthly payments ranged from approximately $31,000 to $73,000 per month, and terminated on June 30, 2019. Our total rent payments for fiscal years 2019 and 2018 and the 2017 Stub Period were $0.1 million, $0.6 million and $0.3 million, respectively.

### Investor Rights Agreement

We previously entered into the Investor Rights Agreement with the Sponsors, which was amended in November 2020 to eliminate most rights, except for certain piggyback registration rights. See "— *Registration Rights*." The Amended Investor Rights Agreement will become effective upon the consummation of this offering.

### The Merger and Concurrent Offering

Concurrently with the closing of the Private Placement, one of our wholly-owned subsidiaries merged with and into HIC, with HIC becoming our wholly-owned subsidiary and continuing its and its subsidiaries' existing business operations, including those of Hydrofarm, LLC, a subsidiary of HIC (the "Merger").

In connection with the Private Placement and Merger, (i) HIC raised $15.2 million from its existing stockholders through the Concurrent Offering and (ii) Hydrofarm Holdings LLC, a subsidiary of HIC, and its affiliates entered into the Loan Transactions. The consideration in the Concurrent Offering consisted of $11.1 million in cash from existing stockholders of HIC and the conversion of $4.1 million of an aggregate principal amount plus interest outstanding under an outstanding note. As part of the Merger, the securities of HIC issued in the Concurrent Offering were exchanged into shares of our common stock and warrants to purchase our common stock having the same terms and conditions as the securities included in the Units issued in the Private Placement. In addition, the investors in the Concurrent Offering received the same registration rights as the investors in the Private Placement with respect to our securities that they received in connection with the Merger.

The principal stockholders listed in the Principal Stockholders section of this prospectus acquired their shares of common stock in connection with HIC's May 2017 acquisition of Hydrofarm, LLC and the Concurrent Offering and Merger. Mr. Wardenburg, one of our former directors and one of our principal stockholders previously held equity interests in Hydrofarm, LLC, and rolled over all or a portion of such equity interests into shares of common stock of HIC in connection with HIC's May 2017 acquisition of Hydrofarm, LLC. Mr. Wardenburg held the equity interests in Hydrofarm, LLC, prior to January 1, 2016.

**Registration Rights**

In addition to the Registration Rights Agreement, the Amended Investor Rights Agreement provides for piggyback registration rights to certain of the Sponsors for the shares of our common stock held by such Sponsors, but not including the securities acquired by such Sponsors in connection with the Concurrent Offering and subsequently converted to our securities pursuant to the Merger. The resale of these additional shares of our common stock will be eligible to be registered through piggyback registration rights, which may be exercised in connection with any future registration statement that is filed with the SEC other than the registration statement of which this prospectus forms a part.

**Restricted Stock Unit Award**

Certain of our officers, former directors and principal stockholders have received stock awards in 2020. See "*Executive and Director Compensation — Equity Awards during fiscal 2020*."

**PBCO Notes**

***PBCO Note 1***

On May 22, 2018, we entered into a subordinated promissory note in favor of PBCO, Inc. ("PBCO"), an entity wholly-owned by Peter Wardenburg, one of our previous directors and one of our principal stockholders, in an aggregate principal amount of $4.0 million ("PBCO Note 1"). Interest on PBCO Note 1 accrued at a rate of 8.24% per annum and PBCO Note 1 was scheduled to mature on November 12, 2022. PBCO Note 1 was subject to the terms of (i) a subordination agreement between PBCO and Bank of America, N.A., dated as of May 22, 2018, and (ii) a subordination agreement between PBCO and Brightwood Loan Services LLC, dated as of May 22, 2018. In connection with the Concurrent Offering, PBCO Note 1 was converted into 1,633,958 units in the Concurrent Offering and is of no further force or effect.

***PBCO Note 2***

On June 29, 2018, Hydrofarm Holdings entered into a subordinated promissory note in favor of PBCO in an aggregate principal amount of $2.0 million ("PBCO Note 2"). Interest on PBCO Note 2 accrued at a rate of 8.24% per annum and PBCO Note 2 was scheduled to mature on November 12, 2022. PBCO Note 2 was subject to the terms of (i) a subordination agreement between PBCO and Bank of America, N.A., dated as of June 29, 2018, and (ii) a subordination agreement between PBCO and Brightwood Loan Services LLC, dated as of June 29, 2018. PBCO Note 2 was repaid with proceeds from the Private Placement and is of no further force or effect.

## PRINCIPAL STOCKHOLDERS

The table below provides information regarding the beneficial ownership of the common stock as of November 12, 2020, and as adjusted to reflect the sale of our common stock in this offering assuming no exercise of the underwriters' option to purchase additional shares of our common stock, of (1) each person or entity who owns beneficially 5% or more of the shares of our outstanding common stock, (2) each of our directors, (3) each of our Named Executive Officers and (4) our directors and officers as a group. Beneficial ownership is determined based on the rules and regulations of the SEC. A person has beneficial ownership of shares if such individual has the power to vote and/or dispose of shares. This power may be sole or shared and direct or indirect. Except as otherwise indicated, and subject to applicable community property laws, we believe the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them. Beneficial ownership prior to this offering is based on 69,745,562 shares of our common stock outstanding as of November 12, 2020. Unless otherwise indicated below, the address for each beneficial owner listed is Hydrofarm Holdings Group, Inc., 2249 South McDowell Blvd., Petaluma, California, 94954.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned | Percentage of Shares Beneficially Owned Before This Offering | Percentage of Shares Beneficially Owned After This Offering |
|---|---|---|---|
| **5% Stockholders** | | | |
| Jack Serruya[(1)] | 5,239,560 | 7.5% | |
| Aaron Serruya[(2)] | 5,239,559 | 7.5% | |
| Michael Serruya[(3)] | 5,239,556 | 7.5% | |
| Simon Serruya[(4)] | 5,239,560 | 7.5% | |
| Chris Payne[(5)] | 7,364,384 | 10.5% | |
| Matthew Skidell[(6)] | 10,368,045 | 14.9% | |
| Michael Rapoport[(7)] | 4,085,763 | 5.9% | |
| John Tomes[(8)] | 7,163,641 | 10.2% | |
| **Directors and Named Executive Officers:** | | | |
| William Toler[(9)] | — | — | — |
| Terence Fitch | 42,950 | * | * |
| B. John Lindeman | — | — | — |
| Bob Clamp | — | — | — |
| Jeff Peterson | — | — | — |
| Peter Wardenburg[(10)] | 7,821,585 | 11.1% | |
| Susan Peters | — | — | — |
| Patrick Chung | — | — | — |
| Renah Persofsky | — | — | — |
| Richard D. Moss | — | — | — |
| All directors and current executive officers as a group (seven persons) | 42,950 | * | * |

* Less than one percent

(1) Represents 4,979,127 shares of our common stock and 260,433 shares of our common stock underlying warrants to purchase shares of our common stock held of record by Jackpot Inc. Mr. Jack Serruya is the natural person with voting and investment power over the shares held by Jackpot Inc. The stockholder's address is 210 Shields Court, Markham, Ontario, Canada L3R 8V2.

(2) Represents 4,979,126 shares of our common stock and 260,433 shares of common stock underlying warrants to purchase shares of our common stock held of record by Fruzer Inc. Mr. Aaron Serruya is the natural person with voting and investment power over the shares held by Fruzer Inc. The stockholder's address is 210 Shields Court, Markham, Ontario, Canada L3R 8V2.

(3) Represents 4,979,123 shares of our common stock and 260,433 shares of common stock underlying warrants to purchase shares of our common stock held of record by S5 Enterprises Inc. Mr. Michael

Serruya is the natural person with voting and investment power over the shares held by S5 Enterprises Inc. The stockholder's address is 210 Shields Court, Markham, Ontario, Canada L3R 8V2.

(4) Represents 4,979,127 shares of our common stock and 260,433 shares of common stock underlying warrants to purchase shares of our common stock held of record by Indulge Inc. Mr. Simon Serruya is the natural person with voting and investment power over the shares held by Indulge Inc. The stockholder's address is 210 Shields Court, Markham, Ontario, Canada L3R 8V2.

(5) Represents (i) 4,648,128 shares of our common stock and 250,454 shares of common stock underlying warrants to purchase shares of our common stock held of record in Hawthorn Limited Partnership, (ii) 2,118,626 shares of our common stock and 103,483 shares of common stock underlying warrants to purchase shares of our common stock held of record by Hydrofarm Co-Investment Fund, LP and (iii) 231,583 shares of our common stock and 12,110 shares of common stock underlying warrants to purchase shares of our common stock held of record in Payne Capital Corp. Hydrofarm Co-Investment Fund, LP is an affiliate of Hawthorn, LP. Mr. Chris Payne is an affiliate of Hawthorn LP, Hydrofarm Co-Investment Fund LP and Payne Capital Corp. Messrs. Payne and Tomes may be deemed to beneficially own the shares and each share voting and investment power over the shares held by Hawthorn Limited Partnership and Hydrofarm Co-Investment Fund, LP. Mr. Chris Payne is the natural person with voting and investment power over the shares held by Payne Capital Corp. The stockholder's address is 240 Richmond Street West, Toronto, ON, Canada M5V 1V6.

(6) Represents (i) 3,920,069 shares of our common stock held of record in HF I Investments LLC, (ii) 1,614,006 shares of our common stock held of record in HF II Investments LLC and (iii) 4,833,970 shares of our common stock held of record in HF III Investments LLC. Mr. Skidell is the managing member of BCM X3 Holdings LLC, which manages HF I Investments LLC, HF II Investments LLC and HF III Investments LLC (collectively, the "HF Investments Entities"). Mr. Skidell is the natural person with voting and investment power over the shares held by the HF Investments Entities. The stockholder's address is 570 Brook Street, Garden City, New York 11530. We have been advised that the HF Investment Entities currently intend to distribute the shares owned by them to their members, including Mr. Rapoport (as discussed in footnote 7 below) prior to the completion of the offering.

(7) Represents (i) 3,695,849 shares of our common stock held of record by Mr. Rapoport, (ii) 100,000 shares of our common stock held of record by Mr. Rapoport's spouse and (iii) 289,914 shares of our common stock held of record by MR ZA GRAT, a trust of which Mr. Rapoport is the trustee. Mr. Rapoport is the natural person with voting and investment power over the shares held by MR ZA GRAT. The stockholder's address is 265 Sandpiper Dr., Palm Beach, Florida 33480. Assumes the completion of the distribution of shares of our common stock to members of the HF Investments Entities of which Mr. Rapoport was previously the managing member as 1,921,610 of the 3,695,849 shares referred to in (i) above would be received in that distribution. Excludes 1,000,000 RSUs which only vest subject to certain timing and performance conditions.

(8) Represents (i) 4,648,128 shares of our common stock and 250,454 shares of common stock underlying warrants to purchase shares of our common stock held of record in Hawthorn Limited Partnership, (ii) 2,118,626 shares of our common stock and 103,483 shares of common stock underlying warrants to purchase shares of our common stock held of record by Hydrofarm Co-Investment Fund, LP and (iii) 42,950 shares of our common stock held of record by Mr. Tomes. Hydrofarm Co-Investment Fund, LP is an affiliate of Hawthorn Limited Partnership. Mr. John Tomes is an affiliate of Hawthorn LP and Hydrofarm Co-Investment Fund LP. Messrs. Tomes and Payne may be deemed to beneficially own the shares and each share voting and investment power over the shares held by Hawthorn Limited Partnership and Hydrofarm Co-Investment Fund, LP. The stockholder's address is 240 Richmond Street West, Toronto, ON, Canada M5V 1V6.

(9) Excludes an indeterminate number of shares underlying the Series A Preferred Stock that are not calculable until the offering contemplated hereby is priced. Mr. William Toler is the natural person with voting and investment power over the shares held by Mr. William Toler. The stockholder's address is 202 San Mateo Drive, Bonita Springs, Florida 34134.

(10) Represents 7,004,606 shares of our common stock and 816,979 shares of common stock underlying warrants to purchase shares of our common stock held of record by Wardenburg 2009 Family Trust. Mr. Peter Wardenburg is the natural person with voting and investment power over the shares held by Wardenburg 2009 Family Trust. The stockholder's address is 2249 S. McDowell Ext., Petaluma, CA 94954.

## DESCRIPTION OF OUR INDEBTEDNESS

The following summarizes the principal terms of the agreements that govern our existing indebtedness. See also "*Risk Factors — Risks Relating to Our Indebtedness.*"

***Encina Revolving Credit Facility***

Our wholly-owned and indirect subsidiaries, Hydrofarm, LLC ("Hydrofarm"), EHH Holdings, LLC ("EHH"), Sunblaster LLC ("SunBlaster"), SunBlaster Holdings, ULC ("SunBlaster ULC"), Eddi's Wholesale Garden Supplies, Ltd. ("EWGS" and, together with SunBlaster ULC, the "Canadian Borrowers"), Hydrofarm Holdings, LLC ("Holdings"), and Hydrofarm Canada, LLC ("Hydrofarm Canada" and together with Holdings, the U.S. Borrowers (as defined therein) and the Canadian Borrowers, the "Subsidiary Obligors") are parties to a Loan and Security Agreement with Encina Business Credit, LLC, as agent ("Encina"), and other lenders party thereto (as amended and restated to date, the "Encina Credit Facility"). The Encina Credit Facility provides for revolving borrowings under an asset-based loan commitment of up to $45 million (inclusive of a limit of up to $15 million of borrowings for the Canadian Borrowers and a swingline facility of up to $2.0 million), subject to applicable borrowing base availability. Borrowings under the Encina Credit Facility are subject to an availability block of $5.0 million until certain tests have been met, which tests will commence upon the delivery of the December 2019 financial statements. Borrowings under the Encina Credit Facility are subject to variable interest rates based on certain U.S. and Canadian-based interest rates plus an applicable margin, which is determined by the average daily amount available for borrowing under the Encina Credit Facility for an applicable period. The Subsidiary Obligors are obligated to repay the amounts used under the Encina Credit Facility in full by the earlier of (i) July 11, 2022, or (ii) 90 days prior to the scheduled maturity date of the Term Loan Agreement (as defined below). A portion of the proceeds borrowed under the Encina Credit Facility were used to pay in full the Loan and Security Agreement among Bank of America, N.A. and the Subsidiary Obligors (the "BofA Agreement").

To secure the prompt payment and performance of obligations required under the Encina Credit Facility, the Subsidiary Obligors have granted to Encina a first-priority lien on all cash, accounts receivable and inventory of the Encina and a second-lien priority lien on all other assets and personal property of the Encina.

Furthermore, until full payment of all obligations required under the Encina Credit Facility, the Subsidiary Obligors shall not, among other things, take any of the following actions, except as permitted by the Encina Credit Facility:

- merge, divide or consolidate, form any new subsidiary, acquire any interest in any Person (as defined therein), or wind-up or cease operations, dissolve or liquidate;
- create, assume, incur issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any indebtedness (as such term is defined therein);
- make acquisitions;
- change its jurisdiction of formation;
- dispose of any assets;
- make loans or investments;
- create, incur, assume or suffer to exist any lien;
- authorize, enter into, or execute any agreements giving a Secured Party (as defined in the Uniform Commercial Code) control of a Deposit Account (as defined in the Uniform Commercial Code) or Securities Accounts (as defined in the Uniform Commercial Code);
- enter into any covenant or agreement that restricts the Subsidiary Obligors from pledging or granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property in favor of a Lender (as defined therein);
- guaranty or become liable for the obligations of another party;
- make a restricted payment, including paying dividends, repaying indebtedness or purchasing, redeeming or retiring our capital stock;

- redeem, retire, purchase or otherwise acquire any of a Subsidiary Obligors' capital stock or other equity interests; or
- engage, directly or indirectly, in a business other than the business which is being conducted on the date hereof.

Under the Encina Credit Facility, the following actions, among others, could be deemed to be an "event of default" that may result in the acceleration of the due date, payment of all obligations and termination of all revolver commitments, without any action by Encina or notice of any kind.

- Failure to pay obligations when due;
- Any representation, warranty, statement, report or certificate made or delivered is untrue or misleading in any material respect;
- A default in the performance and observance of certain covenants;
- A guarantor repudiates, revokes or attempts to revoke its guaranty;
- The actual or attempted revocation or termination of, or limitation or denial of liability under, any guaranty of any of the Obligations (as defined therein), or any security document securing any of the Obligations;
- The commencement of an involuntary case or other proceeding against any Subsidiary Obligor; or
- A change of control occurs.

As of September 30, 2020, we have borrowings outstanding under the Encina Credit Facility of approximately $32.5 million, excluding unamortized deferred financing costs, with approximately $3.6 million available for future borrowings. As described in "*Use of Proceeds*," we intend to use the net proceeds from this offering to paydown and refinance our borrowings under the Encina Credit Facility.

***Term Loan Agreement***

The Subsidiary Obligors (as defined above under the description of the Encina Revolving Loan Facility) and Brightwood Loan Services, LLC ("Brightwood") and the other lenders party thereto (the "Term Loan Lenders") are parties to: (i) that certain Credit Agreement, dated as of May 12, 2017 among the Subsidiary Obligors and the Term Loan Lenders, as amended by that certain Amendment No. 1 to Credit Agreement dated as of September 21, 2017, that certain Amendment No. 2 to Credit Agreement dated as of November 8, 2017, that certain Forbearance Agreement and Amendment to Credit Agreement dated as of May 18, 2018, that certain Amendment No. 1 to Forbearance Agreement dated as of July 16, 2018, that certain Waiver and Amendment No. 3 to Credit Agreement dated as of August 24, 2018 ("TL Amendment No. 3"), that certain Amendment No. 4 to Credit Agreement dated as of March 15, 2019, that certain Amendment No. 5 to Credit Agreement dated as of July 11, 2019 ("TL Amendment No. 5"), and Amendment No. 6 to Credit Agreement dated as of October 15, 2019 ("TL Amendment No. 6") and as may be further amended, amended and restated, modified or supplemented from time to time in accordance with the terms thereof (as amended to date, the "Term Loan Agreement"). The Term Loan Agreement provides for a $75 million term loan, with an interest rate of LIBOR plus 850 basis points and the Base Rate plus 750 basis points; provided, that at such time that the Total Net Leverage Ratio is less than 5.50:1.00, the interest rate shall be LIBOR plus 700 basis points or the Base Rate plus 600 basis points. The annual principal amortization is 2.5% of the original amount of Term Loans on the initial closing date of May 12, 2017; provided, that no amortization payments shall be made during the period commencing on June 30, 2018 and ending on the date the Fixed Charge Coverage Ratio (as defined therein) as of the last day of any two consecutive fiscal quarters shall have been not less than 1.10:1.00 (which date must be after January 1, 2020). The Subsidiary Obligors are obligated to repay the amounts used under the Term Loan Agreement in full by May 12, 2022, subject to certain terms that may require earlier payment.

To secure the prompt payment and performance of obligations required under the Term Loan Agreement and the Intercreditor Agreement (as defined below), the Subsidiary Obligors have granted the Term Loan Lenders a second-priority lien on all cash, accounts receivable and inventory of the Subsidiary Obligors and a first-priority lien on all other assets and personal property of the Subsidiary Obligors, subject to certain exceptions.

Furthermore, until full payment of all obligations under the Term Loan Agreement, the Subsidiary Obligors shall not do, among other things, any of the following, except as permitted by the Term Loan Agreement:

- merge, divide or consolidate, form any new subsidiary, acquire any interest in any Person (as defined therein), or wind-up or cease operations, dissolve or liquidate;
- create, assume, incur issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any indebtedness (as such term is defined therein);
- make acquisitions;
- change its jurisdiction of formation;
- dispose of any assets;
- make loans or investments;
- create, incur, assume or suffer to exist any lien;
- enter into any covenant or agreement that restricts the Subsidiary Obligors from pledging or granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a lien on any of its property in favor of a Lender (as defined therein);
- guaranty or become liable for the obligations of another party;
- make a restricted payment, including paying dividends, repaying indebtedness or purchasing, redeeming or retiring our capital stock;
- redeem, retire, purchase or otherwise acquire any of a Subsidiary Obligors' capital stock or other equity interests; or
- engage, directly or indirectly, in a business other than the business which is being conducted on the date hereof.

Under the Term Loan Agreement, the following actions, among others, could be deemed to be an "event of default" that may result in the automatic acceleration of the due date, payment of all obligations, and termination of all revolver commitments would be terminated, without any action by the Term Loan Lenders or notice of any kind.

- Failure to pay obligations when due;
- Any representation, warranty, statement, report or certificate made or delivered is untrue or misleading in any material respect;
- A default in the performance and observance of certain covenants;
- A guarantor repudiates, revokes or attempts to revoke its guaranty;
- The actual or attempted revocation or termination of, or limitation or denial of liability under, any guaranty of any of the Obligations (as defined therein), or any security document securing any of the Obligations;
- The commencement of an involuntary case or other proceeding against any Subsidiary Obligor; or
- A change of control occurs.

As of September 30, 2020, we have borrowings outstanding under the Term Loan Agreement of approximately $76.3 million, excluding unamortized deferred financing costs. As described in "*Use of Proceeds*," we intend to use the net proceeds from this offering to repay borrowings outstanding under the Term Loan Agreement.

***Intercreditor Agreement***

Encina and Brightwood are parties to a certain intercreditor agreement, dated as of July 11, 2019, in connection with their roles as lenders to us (as amended and restated to date, the "Intercreditor Agreement")

that governs and confirms the relative priority of their respective security interests of all of our assets and property securing our obligations under the Encina Credit Facility and the Term Loan Agreement. Although we are not a party to the Intercreditor Agreement, we acknowledged and agreed to be bound by the provisions therein and recognize all rights granted thereby to Encina and Brightwood.

***Other Indebtedness***

We have other indebtedness of approximately $1.4 million as of September 30, 2020, related to financing leases and term debt.

***PPP Loan***

On April 7, 2020, we entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $3.3 million payable to JP Morgan Chase, N.A. (the "PPP Lender") evidencing a PPP loan from the SBA (the "PPP Loan"). The PPP Loan will bear interest at a rate of 1% per annum. No payments will be due on the PPP Loan during a ten month deferral period commencing on April 7, 2020. Commencing one month after the expiration of the deferral period, and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, we are obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan by the maturity date. The maturity date is April 7, 2022. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of the PPP Lender to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon our request to the extent that PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll, rent, and utilities. The PPP Lender may forgive interest accrued on any principal forgiven if the SBA pays the interest. While we believe we have used the PPP Loan proceeds in a manner consistent with obtaining forgiveness, we intend to repay the PPP Loan in connection with the consummation of the offering contemplated hereby.

## DESCRIPTION OF CAPITAL STOCK

Our Certificate of Incorporation authorizes us to issue:

- 300,000,000 shares of common stock, par value $0.0001 per share; and
- 50,000,000 shares of preferred stock, par value $0.0001 per share.

As of November 12, 2020 we had issued and outstanding 69,745,562 shares of our common stock and 7,725,045 shares of our Series A Preferred Stock.

The following statements are summaries only of provisions of our authorized capital stock and are qualified in their entirety by our Certificate of Incorporation. You should review these documents for a description of the rights, restrictions and obligations relating to our capital stock. A copy of our Certificate of Incorporation may be obtained from us upon written request.

### Common Stock

***Voting.*** The holders of our common stock are entitled to one vote for each share held of record on all matters on which the holders are entitled to vote (or consent to).

***Dividends.*** The holders of our common stock are entitled to receive, ratably, dividends only if, when and as declared by our board of directors out of funds legally available therefor and after provision is made for each class of capital stock having preference over the common stock. As of the date of this prospectus, we may not declare a dividend in light of the Encina Credit Facility and the Term Loan Agreement.

***Liquidation Rights.*** In the event of our liquidation, dissolution or winding-up, the holders of our common stock may be entitled to share, ratably, in all assets remaining available for distribution after payment of all liabilities and after provision is made for each class of capital stock having preference over the common stock.

***Preemptive and Similar Rights.*** The holders of our common stock have no preemptive or similar rights.

### Preferred Stock

We are authorized to issue up to 50,000,000 shares of "blank check" preferred stock, par value $0.0001 per share, with such designations, rights, and preferences as may be determined from time to time by our board of directors. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock could have the effect of restricting dividends on our common stock, diluting the voting power of our common stock, impairing the liquidation rights of our common stock, or delaying or preventing a change in our control, all without further action by our stockholders. We currently do not have any shares of preferred stock outstanding.

#### *Series A Preferred Stock*

On December 13, 2019, we designated fifteen million (15,000,000) shares of our previously authorized 50,000,000 shares of preferred stock, par value of $0.0001 per share, as Series A Preferred Stock with the following rights and terms:

***Voting.*** The holders of our Series A Preferred Stock are entitled to the number of votes equal to the number of whole shares of common stock into which the shares of Series A Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. The holders of our Series A Preferred Stock shall vote together with the holders of our common stock as a single class and on an as-converted to common stock basis.

***Dividends.*** The holders of our Series A Preferred Stock are entitled to receive accruing dividends at a rate per annum of (i) 10% of $3.50 per share from and after December 31, 2019 (the "Initial Issuance Date"), (ii) 11% of $3.50 per share from and after September 30, 2020, and (iii) 12% of $3.50 per share from and after June 30, 2021. Such dividends shall accrue from day to day, whether or not declared, and shall be cumulative,

however, such dividends shall only be payable if declared by our board of directors (at its sole discretion). The holders of our Series A Preferred Stock will have priority as to such dividends over our holders of common stock. At our option, the dividends may be paid in cash, or in shares of Series A Preferred Stock.

***Liquidation Rights.*** In the event of our liquidation, dissolution or winding-up, the holders of our Series A Preferred Stock may be entitled to share, ratably, in all assets remaining available for distribution after payment of all liabilities. The holders of our Series A Preferred Stock have a liquidation preference over holders of our common stock.

***Preemptive Rights.*** The holders of our Series A Preferred Stock have no preemptive rights.

***Liquidity Rights***. If we have not consummated an initial public offering by the 18 month anniversary of the Initial Issuance Date, then the holders of at least a majority of the outstanding shares of Series A Preferred Stock can request that we pursue one of the following options (at the board of director's full discretion): (i) that we redeem all of the issues and outstanding Series A Preferred Stock for $3.50 per share plus the amount of all accrued and unpaid dividends, (ii) that we initiate a process with a view to our sale via merger, asset sale or such other sale mechanism, or (iii) that we initiate a process with a view to our consummating an initial public offering even if such initial public offering would not meet the requirements of a Qualified IPO.

"Qualified IPO" means a sale of shares of common stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act resulting in at least $75 million of gross proceeds.

***Conversion Rights.*** Upon the closing of a Qualified IPO, all outstanding shares of our Series A Preferred Stock shall automatically be converted into shares of our common stock at the lesser of (x) the then Series A Conversion Price, or (y) the then effective Discounted Qualified IPO Price. Each share of Series A Preferred Stock shall also be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into one (1) share of common stock, subject to certain adjustments. We expect this offering to be a Qualified IPO.

"Series A Conversion Price" is initially $3.50 per share, to be adjusted for certain dilutive events, including but not limited to issuance or deemed issuance of additional shares of common stock, stock splits and combinations, dividends, other distributions and merger or reorganizations.

"Discounted Qualified IPO Price" means, with respect to each share of Series A Preferred Stock, the amount calculated by multiplying the price at which the shares of common stock were sold by us to the public in the Qualified IPO by 0.8 (the "Multiplier"), provided that commencing 270 days after the Initial Issuance Date, the Multiplier shall be decreased to 0.79 and shall be decreased by an additional 0.01 every thirty (30) days thereafter, provided that the Multiplier shall not decrease below 0.75.

***Protective Provisions***. Consent of the holders of at least 50% of the outstanding shares of Series A Preferred Stock is required for any amendment or change of the rights, preferences, privileges, or powers of, or the restrictions provided for the benefit of, the Series A Preferred Stock.

**Warrants**

As of November 12, 2020, we had issued and outstanding warrants to purchase 11,357,114 and 1,742,955 shares of our common stock, which are referred to as the "Investor Warrants" and the "Placement Agent Warrants", respectively.

***The Investor Warrants***

***General Terms.*** The Investor Warrants are exercisable for common stock at an initial exercise price equal to $5.00 per share. The exercise price and the number of securities issued upon exercise of the Investor Warrants are subject to adjustment for stock splits, stock dividends and similar events.

***Exercisability.*** The Investor Warrants are exercisable commencing the earliest of: (x) the effectiveness of a resale registration statement, (y) the closing of any initial public offering of our common stock, or (z) the closing of any other transaction or set of events that results in us (or the surviving corporation in connection

with such transaction) being (or remaining) subject to the reporting requirements of the Exchange Act (any of the foregoing, a "Public Event"). The Investor Warrants will expire three years from the effective date of any Public Event.

The Investor Warrants may be exercised at any time in whole or in part upon payment of the applicable exercise price until expiration of the Investor Warrants. No fractional shares will be issued upon the exercise of the Investor Warrants. The Investor Warrants may only be exercised on a "cashless" basis if at any time after 180 days following the date that a resale registration statement is publicly filed with the commission, the registration statement covering the resale of the shares of our common stock issuable upon exercise of the Investor Warrants by the investors is not effective with the SEC.

***Redemption.*** The Investor Warrants may be called by us upon not less than thirty (30) days' nor more than sixty (60) days' prior written notice at any time provided that, at the time of delivery of such notice (i) there is an effective registration statement covering the resale of the shares of common stock underlying the Investor Warrants, and (ii) the VWAP of our common stock for twenty (20) consecutive trading days prior to the date of the notice of redemption is at least $7.50, as proportionately adjusted to reflect any stock splits, stock dividends, combination of shares or like events. The Placement Agents for the Private Placement shall receive a warrant solicitation fee equal to 5% of the funds solicited by the placement agents upon the exercise of the Investor Warrants if we elect to call the Investor Warrants.

If we elect to call the Investor Warrants (or any other warrant) for redemption, we must also call all other warrants (other than the Placement Agent Warrants) for redemption on the terms described above.

***The Placement Agent Warrants***

The Placement Agent Warrants have substantially similar terms to the Investor Warrants except that (i) the exercise price for 1,161,977 and 580,978 of the Placement Agent Warrants is equal to $2.50 per share and $5.00 per share, respectively, (ii) the Placement Agent Warrants may be exercised on a "cashless basis," (iii) there is no optional redemption feature allowing us to redeem the Placement Agent Warrants prior to the expiration date of the Placement Agent Warrants and (iv) there is a change of control provision providing the holders of the Placement Agent Warrants, upon a change of control (as defined in the Placement Agent Warrants), with the right to acquire and receive upon exercise of the Placement Agent Warrant in lieu of the shares of our common stock underlying the Placement Agent Warrants, such shares of stock, securities of assets (including cash) that a holder of shares of our common stock deliverable upon exercise of the Placement Agent Warrants would have been entitled to receive in a such transaction as if the Placement Agent Warrants had been exercised immediately prior to the transaction constituting such change of control.

***Warrant Holder Not a Stockholder***

The Investor Warrants and Placement Agent Warrants do not confer upon the holders thereof any voting, dividend or other rights as our stockholders.

**Equity Incentive Plans**

***2019 Equity Incentive Plan***

As of November 12, 2020, we had 3,150,648 shares of common stock issuable upon vesting of restricted stock units under our 2019 Equity Incentive Plan and 736,630 shares of common stock authorized for future issuance under the 2019 Equity Incentive Plan. Once our 2020 Equity Incentive Plan is approved by our stockholders, we do not expect to make new grants under the 2019 Equity Incentive Plan.

***2018 Equity Incentive Plan***

As of November 12, 2020, we had 4,742,698 shares of common stock issuable upon vesting of restricted stock units and 2,861,900 shares of common stock issuable upon the exercise of stock options at a weighted average exercise price of $2.55 per share under our 2018 Equity Incentive Plan, and 1,113,598 shares of common stock authorized for future issuance under the 2018 Equity Incentive Plan. Once our 2020 Equity Incentive Plan is approved by our stockholders, we do not expect to make new grants under the 2018 Equity Incentive Plan.

**Registration Rights Agreement**

In connection with our Private Placement, we entered into a Registration Rights Agreement pursuant to which we are obligated to register with the SEC the shares of our common stock that were acquired by certain stockholders in the Private Placement as well as the shares of common stock issuable upon exercise of the Investor Warrants. The following description is a summary only of material provisions of the Registration Rights Agreement.

The Registration Rights Agreement contains certain holdback provisions relating to Transfers (as defined in the Registration Rights Agreement) of Registrable Securities (as defined therein) by holders of such securities. Pursuant to such provisions, a holder of Registrable Securities will be not be able to fully Transfer all Registrable Securities until such date that is three (3) months from the date of effectiveness of the Resale Registration Statement. Specifically, a holder shall be permitted to transfer up to 50% of Registrable Securities held at any time on or after the effectiveness of the Resale Registration Statement and following such date, a holder shall be entitled to Transfer the balance of all Registrable Securities held by such holder on or after the end of three (3) months following the effectiveness of the Resale Registration Statement. The foregoing holdback provisions shall be terminated in the event the closing price of our common stock is $10.00 or above for 20 consecutive trading days.

**Forum Selection**

Unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum to the fullest extent permitted by law for state law claims (i) for any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of or based on a fiduciary duty owed by any current or former director, officer or other employee of ours to us or our stockholders, (iii) any action asserting a claim against us or any current or former director, officer, or other employee or stockholder of ours arising pursuant to any provision of the Delaware General Corporation Law or our Certificate of Incorporation or Bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine, in each such case subject to said court having personal jurisdiction over the indispensable parties named as defendants therein; provided, that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state court sitting in the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the provisions of this forum selection clause. This provision does not apply to actions arising under the Exchange Act or the Securities Act.

**Anti-Takeover Provisions**

Our Certificate of Incorporation and Bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

***Authorized but unissued shares.*** The authorized but unissued shares of our common stock and our preferred stock are available for future issuance without stockholder approval, subject to the requirements of any national securities exchange on which our common stock is listed, should we so qualify for listing. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

***Stockholder action by written consent.*** Our Certificate of Incorporation and Bylaws provide that no action shall be taken by our stockholders except at an annual or special meeting of our stockholders called in accordance with our Bylaws and no action shall be taken by our stockholders by written consent, subject to the rights of any series of preferred stock permitting the holders of such series of preferred stock to act by

written consent; provided, however, that, for so long as S5 Enterprises Inc. (formerly 2118769 Ontario Inc.), Fruzer Inc., Indulge Inc. (formerly 2208742 Ontario Inc.), Jackpot Inc. (formerly 2208744 Ontario Inc.), HF I Investments LLC, HF II Investments LLC, HF III Investments LLC, Hawthorn LP, Hydrofarm Co-Investment Fund, LP, Arch Street Holdings I, LLC and Payne Capital Corp., together with their respective affiliates or successors, collectively beneficially own (directly or indirectly), in the aggregate, at least fifty percent (50%) of our then issued and outstanding common stock, any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders called in accordance with our Bylaws may be taken by our stockholders by written consent.

***Special meetings of stockholders.*** Our Certificate of Incorporation and Bylaws provide that, except as otherwise required by law or provided by the resolution or resolutions adopted by our board of directors designating the rights, powers and preferences of any series of preferred stock, special meetings of our stockholders may be called only by (a) our board of directors pursuant to a resolution approved by a majority of the total number of our directors that we would have if there were no vacancies or (b) the chair of our board of directors, and any power of our stockholders to call a special meeting is specifically denied.

***Advance notice requirements for stockholder proposals and director nominations.*** Our Bylaws provide for an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our board of directors. In order for any matter to be "properly brought" before a meeting, a stockholder must comply with advance notice and duration of ownership requirements and provide us with certain information. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a qualified stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying stockholder actions that are favored by the holders of a majority of our outstanding voting securities until the next stockholder meeting.

***Amendment of Certificate of Incorporation or Bylaws.*** The Delaware General Corporation Law ("DGCL") provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation, unless a corporation's certificate of incorporation requires a greater percentage. Our Certificate of Incorporation provides that certain provisions of our Certificate of Incorporation (namely, those provisions relating to (i) directors; (ii) limitation of director liability, indemnification and advancement of expenses and renunciation of corporate opportunities; (iii) meetings of stockholders; and (iv) amendments to our Certificate of Incorporation and Bylaws) may not be altered, amended or repealed in any respect (including by merger, consolidation or otherwise), nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66⅔%) of the voting power of all of our then-outstanding shares then entitled to vote generally in an election of directors, voting together as a single class. Our Certificate of Incorporation and Bylaws also provide that approval of stockholders holding sixty-six and two-thirds percent (66⅔%) of the voting power of all of our then-outstanding shares entitled to vote generally in an election of directors, voting together as a single class, is required for stockholders to make, alter, amend, or repeal any provision of our Bylaws. Our board of directors retains the right to alter, amend or repeal our Bylaws.

***Classified Board of Directors.*** Our amended and restated certificate of incorporation, upon the consummation of this offering, provides for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms. Stockholders do not have the ability to cumulate votes for the election of directors.

**Limitations on Liability and Indemnification of Officers and Directors**

Our Certificate of Incorporation and Bylaws provides indemnification for our directors and officers to the fullest extent permitted by the DGCL. We have entered into indemnification agreements with each of our directors that may be, in some cases, broader than the specific indemnification provisions contained under the DGCL. In addition, as permitted by the DGCL, our Certificate of Incorporation and Bylaws includes

provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director. These provisions may be held not to be enforceable for violations of the federal securities laws of the United States.

**Corporate Opportunity Doctrine**

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Under our Certificate of Incorporation, to the maximum extent permitted by the laws of the State of Delaware, (a) we have renounced all interest and expectancy that we otherwise would be entitled to have in, and all rights to be offered an opportunity to participate in, any business opportunity that from time to time may be presented to (i) any of our directors, (ii) any of our stockholders, officers or agents, or (iii) any Affiliate (as defined in our Certificate of Incorporation) of any person or entity identified in the preceding clause (i) or (ii), but in each case excluding any such person in its capacity as an employee or director of us or our subsidiaries; (b) no stockholder and no director, in each case, that is not an employee of us or our subsidiaries, has any duty to refrain from (x) engaging in a corporate opportunity in the same or similar lines of business in we or our subsidiaries from time to time are engaged or propose to engage or (y) otherwise competing, directly or indirectly, with us or any of our subsidiaries; and (c) if any stockholder or any director, in each case, that is not an employee of us or our subsidiaries, acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity both for such stockholder or such director or any of their respective affiliates, on the one hand, and for us or our subsidiaries, on the other hand, such stockholder or director has no duty to communicate or offer such transaction or business opportunity to us or our subsidiaries and such stockholder or director may take any and all such transactions or opportunities for itself or offer such transactions or opportunities to any other person or entity. The preceding sentence shall not apply to any potential transaction or business opportunity that is expressly offered to a director or employee of our or our subsidiaries, solely in his or her capacity as a director or employee of us or our subsidiaries.

Furthermore, to the fullest extent permitted by the laws of the State of Delaware, no potential transaction or business opportunity may be deemed to be a corporate opportunity of ours or our subsidiaries unless (a) we or our subsidiaries would be permitted to undertake such transaction or opportunity in accordance with our Certificate of Incorporation, (b) we or our subsidiaries at such time have sufficient financial resources to undertake such transaction or opportunity, (c) we or our subsidiaries have an interest or expectancy in such transaction or opportunity and (d) such transaction or opportunity would be in the same or similar line of business in which we or our subsidiaries are then engaged or a line of business that is reasonably related to, or a reasonable extension of, such line of business.

***Section 203 of the Delaware General Corporation Law***

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock.

Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation

outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or

- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or by-laws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

**Transfer Agent and Registrar**

The transfer agent and registrar of our common stock is Continental Stock Transfer & Trust Company. They are located at 1 State Street, 30th Floor, New York, New York 10004. Their telephone number is (212)-509-4000.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market for our common stock existed, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding stock options, or the anticipation of such sales, could adversely affect prevailing market prices of our common stock from time to time and could impair our ability to raise equity capital in the future. Furthermore, because only a limited number of shares of our common stock will be available for sale shortly after this offering due to certain contractual and legal restrictions on resale described below, sales of substantial amounts of our common stock in the public market after such restrictions lapse, or the anticipation of such sales, could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

All of the shares sold in this offering will be freely tradable unless purchased by our affiliates or purchased in our directed share program by our directors, officers and certain of our employees. The remaining shares of common stock outstanding after this offering, including shares of common stock issued upon conversion of the Series A Preferred Stock, will be restricted as a result of securities laws, lock-up agreements or the market standoff provisions in the Registration Rights Agreement as described below. Following the expiration of the lock-up period, all shares will be eligible for resale, subject to compliance with Rule 144 or Rule 701 of the Securities Act.

We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, shares of common stock that are either subject to outstanding stock options or reserved for future issuance under our equity incentive plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, the market standoff provisions in the Registration Rights Agreement and Rule 144 and Rule 701 of the Securities Act.

### Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not one of our affiliates and who is not deemed to have been one of our affiliates at any time during the three months preceding a sale and who has beneficially owned shares of our common stock that are deemed restricted securities for at least six months would be entitled after such six-month holding period to sell the common stock held by such person, subject to the continued availability of current public information about us (which current public information requirement is eliminated after a one-year holding period).

Beginning 90 days after the date of this prospectus, a person who is one of our affiliates, or has been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock that are deemed restricted securities for at least six months would be entitled after such six-month holding period to sell his or her securities, provided that he or she sells an amount that does not exceed 1% of the number of shares of our common stock then outstanding (or, if our common stock is listed on a national securities exchange, the average weekly trading volume of the shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale), subject to the continued availability of current public information about us, compliance with certain manner of sale provisions, and the filing of a Form 144 notice of sale if the sale is for an amount in excess of 5,000 shares or for an aggregate sale price of more than $50,000 in a three-month period.

Upon expiration of the lock-up periods described below, shares of our common stock will be eligible for sale under Rule 144. We cannot estimate the number of shares of our common stock that our existing stockholders will elect to sell under Rule 144.

### Lock-Up Agreements and Market Stand-off Provisions

We, along with our directors and executive officers and holders of substantially all of our capital stock and securities convertible into our capital stock are subject to lock-up agreements or market stand-off

provisions that, subject to exceptions described under the section titled "Underwriting", prohibit them, for a period of 180 days following the date of this prospectus, from offering, selling, contracting to sell, pledging, granting any stock option to purchase, making any short sale or otherwise disposing of any shares of our common stock (including any shares issued in this offering or other issuer-directed shares), or any stock options or warrants to purchase any shares of our common stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of our common stock, whether now owned or later acquired, owned directly or with respect to which we or they have beneficial ownership within the rules and regulations of the SEC, subject to specified exceptions. J.P. Morgan Securities LLC and Stifel, Nicolaus & Company, Incorporated, on behalf of the underwriters, may, in their sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement.

**Rule 701**

In general, under Rule 701 of the Securities Act, any of an issuer's employees, directors, officers, consultants or advisors who purchase shares from the issuer in connection with a compensatory stock or stock option plan or other written agreement before the effective date of a registration statement under the Securities Act, is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

**Registration Rights**

Pursuant to our Amended Investor Rights Agreement and the Registration Rights Agreement, after the completion of this offering, the holders of up to shares of our common stock, including shares underlying outstanding warrants, or certain transferees, will be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. See the section titled "*Description of Capital Stock — Registration Rights Agreement*" for a description of these registration rights. If the offer and sale of these shares of our common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following discussion is a summary of certain material U.S. federal income tax considerations applicable to non-U.S. holders (as defined below) with respect to their ownership and disposition of shares of our common stock issued pursuant to this offering. For purposes of this discussion, a non-U.S. holder means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation or any other foreign organization taxable as a corporation for U.S. federal income tax purposes; or
- a foreign estate or trust, the income of which is not subject to U.S. federal income tax on a net income basis.

This discussion does not address the tax treatment of partnerships or other entities that are pass-through entities for U.S. federal income tax purposes or persons that hold their common stock through partnerships or other pass-through entities. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its tax advisor regarding the tax consequences of acquiring, holding and disposing of our common stock through a partnership or other pass-through entity, as applicable.

This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all as in effect as of the date of this prospectus and, all of which are subject to change or to differing interpretation, possibly with retroactive effect. Any such change or differing interpretation could alter the tax consequences to non-U.S. holders described in this prospectus. There can be no assurance that the Internal Revenue Service, which we refer to as the IRS, will not challenge one or more of the tax consequences described herein. We assume in this discussion that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code, which is generally property held for investment.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances nor does it address any U.S. state, local or non-U.S. taxes, or any other aspect of any U.S. federal tax other than the income tax. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies;
- tax-exempt or governmental organizations;
- financial institutions;
- brokers or dealers in securities;
- regulated investment companies;
- pension plans;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- "qualified foreign pension funds," or entities wholly owned by a "qualified foreign pension fund";
- persons that elect to apply Section 1400Z-2 of the Code to gains recognized with respect to shares of our common stock;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- certain U.S. expatriates.

**This discussion is for general information only and is not tax advice. Accordingly, all prospective non-U.S. holders of our common stock should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock.**

**Distributions on Our Common Stock**

As indicated in the "Dividend Policy" section of this prospectus, we have never declared or paid cash dividends on any of our capital stock and currently intend to retain all available funds and any future earnings to fund the development and growth of our business.

In the event that we do make distributions, subject to the discussions below under the sections titled "Backup Withholding and Information Reporting" and "Withholding and Information Reporting Requirements — FATCA", distributions paid on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment, up to such holder's tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "Gain on Sale or Other Taxable Disposition of Our Common Stock."

Subject to the discussion in the following two paragraphs in this section, dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the United States, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to United States persons (as defined in the Code). Any U.S. effectively connected income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty between the United States and such holder's country of residence generally will be required to provide a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form) to the applicable withholding agent and satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty. A non-U.S. holder that is eligible for such lower rate of U.S. withholding tax as may be specified under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing a U.S. tax return with the IRS.

**Gain on Sale or Other Taxable Disposition of Our Common Stock**

Subject to the discussions below under "Backup Withholding and Information Reporting" and "Withholding and Information Reporting Requirements — FATCA," a non-U.S. holder generally will not be subject to any U.S. federal income or withholding tax on any gain realized upon such holder's sale or other taxable disposition of shares of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a U.S. trade or business and, if an applicable income tax treaty so provides, is attributable to a permanent establishment or a fixed-base maintained by such non-U.S. holder in the United States, in which case the non-U.S. holder generally will be taxed on a net income basis at the graduated U.S. federal income tax rates applicable to United States persons (as defined in the Code) and, if the non-U.S. holder is a foreign corporation, the branch profits tax described above in "Distributions on Our Common Stock" also may apply;
- the non-U.S. holder is a nonresident alien individual who is present in the United States for a period or periods aggregating 183 days or more in the taxable year of the disposition and certain other conditions

are met, in which case the non-U.S. holder will be subject to a 30% tax (or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence) on the net gain derived from the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder, if any (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses; or

- we are, or have been, at any time during the five-year period preceding such sale or other taxable disposition (or the non-U.S. holder's holding period, if shorter) a "U.S. real property holding corporation," unless our common stock is regularly traded on an established securities market, as defined by applicable U.S. Treasury Regulations, and the non-U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, actually or constructively, during the shorter of the 5-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a U.S. real property holding corporation only if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a U.S. real property holding corporation, or that we are likely to become one in the future. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. Non-U.S. holders should consult their own tax advisors about the consequences that could result if we are, or become, a U.S. real property holding corporation.

**Backup Withholding and Information Reporting**

We must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on our common stock paid to such holder and the tax withheld, if any, with respect to such distributions. Non-U.S. holders may have to comply with specific certification procedures to establish that the holder is not a United States person (as defined in the Code) in order to avoid backup withholding at the applicable rate with respect to dividends on our common stock. Dividends paid to non-U.S. holders subject to withholding of U.S. federal income tax, as described above in "Distributions on Our Common Stock," generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker.

Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them. Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is filed with the IRS in a timely manner.

**Withholding and Information Reporting Requirements — FATCA**

Provisions of the Code commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, generally impose a U.S. federal withholding tax at a rate of 30% on payments of dividends on our common stock paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution," such foreign entity undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," such foreign entity identifies certain of its U.S. investors, if any, or (iii) the foreign entity is otherwise exempt under FATCA. Such withholding may also apply to payments of gross proceeds of sales or other dispositions of our common stock, although under recently proposed U.S.

Treasury Regulations (the preamble to which specifies that taxpayers are permitted to rely on such proposed U.S. Treasury Regulations pending finalization), no withholding will apply to such payments of gross proceeds. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of this withholding tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

## UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC and Stifel, Nicolaus & Company, Incorporated are acting as representatives. We will enter into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we will agree to sell to the underwriters and each underwriter will severally agree to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

| Name | Number of Shares |
|---|---|
| J.P. Morgan Securities LLC | |
| Stifel, Nicolaus & Company, Incorporated | |
| Deutsche Bank Securities Inc. | |
| Truist Securities, Inc. | |
| William Blair & Company, L.L.C. | |
| Total | |

The underwriters will be committed to purchase all the shares of common stock offered by us if they purchase any shares. The underwriting agreement will also provide that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or this offering may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell shares to certain other brokers and dealers at a discount of up to $ per share from the initial public offering price. After the initial offering of the shares to the public, if all of the shares of common stock are not sold at the initial public offering price, the underwriters may change the offering price and other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters will have an option to buy up to additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters will have 30 days from the date of this prospectus to exercise this option to purchase additional shares. If any shares are purchased with this option to purchase additional shares, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is $ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

| | Without option to purchase additional shares exercise | With full option to purchase additional shares exercise |
|---|---|---|
| Per Share | $ | $ |
| Total | $ | $ |

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately $ .

We have agreed to reimburse the underwriters for certain expenses of up to $ related to clearance of this offering with FINRA.The underwriters have also agreed to reimburse us for certain of our expenses incurred by us with respect to this offering.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, or submit to, or file, with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, loan disposition or filing or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities LLC and Stifel, Nicolaus & Company, Incorporated for a period of 180 days after the date of this prospectus, other than the shares of our common stock to be sold hereunder and certain other exceptions.

Our directors, our executive officers and holders of substantially all of our capital stock and securities convertible into our capital stock (such persons, the "lock-up parties") have entered into lock-up agreements with the underwriters prior to the commencement of this offering (the "lock-up agreements") or are subject to the market standoff provisions in the Registration Rights Agreement pursuant to which each holder shall not transfer, sell, offer, pledge, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, grant any right or warrant to purchase, lend or otherwise transfer or encumber any Registrable Securities (as defined in the Registration Rights Agreement) until the date that is six months after the effective date of this registration statement.

The lock-up agreements provide that each lock-up party, for a period of up to 180 days after the date of this prospectus (such period, the "restricted period"), may not, without the prior written consent of J.P. Morgan Securities LLC and Stifel, Nicolaus & Company, Incorporated, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, the lock-up securities which may be deemed to be beneficially owned by such lock-up parties in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) (collectively with the common stock, the "lock-up securities") (ii) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the lock-up securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the lock-up securities, in cash or otherwise, (iii) make any demand for or exercise any right with respect to the registration of any lock-up securities or (iv) publicly disclose the intention to do any of the foregoing. Such persons or entities have further acknowledged that these undertakings preclude them from engaging in any hedging or other transactions or arrangements (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition or transfer (by any person or entity, whether or not a signatory to such agreement) of any economic consequences of ownership, in whole or in part, directly or indirectly, of any lock-up securities, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of lock-up securities, in cash or otherwise.

The lock-up agreements are subject to specified exceptions. In the case of our directors and officers and holders subject to the lock-up restrictions, such restrictions described in the paragraph above do not apply, subject in certain cases to various conditions, to transfers or dispositions:

(a) as a bona fide gift or gifts, or for bona fide estate planning purposes,

(b) by will, other testamentary document or intestacy,

(c) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the lock-up party, or if the lock-up party is a trust, to a trustor or beneficiary of the trust or to the estate of a beneficiary of such trust,

(d) to a corporation, partnership, limited liability company, trust or other entity of which the lock-up party and/or one or more members of the immediate family of the lock-up party are, directly or indirectly, the legal and beneficial owner of all of the outstanding equity securities or similar interests,

(e) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (a) through (d) above,

(f) if the lock-up party is a corporation, partnership, limited liability company, trust or other business entity, (i) to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended) of the lock-up party, or to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the lock-up party or affiliates of the lock-up party or (ii) as part of a distribution or other transfer to general or limited partners to members or shareholders, or other holders of equity in, of the lock-up party,

(g) by operation of law, such as pursuant to a qualified domestic order, divorce settlement, divorce decree, separation agreement or court order,

(h) to us from an employee or other service provided of us upon death, disability or termination of employment or service, in each case, of such employee or other service provider,

(i) as part of a sale of the lock-up party's lock-up securities acquired in open market transactions after the closing date for this offering,

(j) to us in connection with the vesting, settlement, or exercise of restricted stock units, options, warrants or other rights to purchase shares of common stock (including, in each case, by way of "net" or "cashless" exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted stock units, options, warrants or rights, or

(k) pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction that is approved by our board of directors and made to all holders of our capital stock involving a change of control of us;

provided that (1) in the case of any transfer, disposition or distribution pursuant to clause (a)-(g), such transfer shall not involve a disposition for value and each donee, devisee, transferee or distributee shall execute and deliver to the representatives a lock-up letter, (B) in the case of any transfer or distribution pursuant to clause (a)-(f) and (i)-(j), no filing by any party (donor, donee, devisee, transferor, transferee, distributer or distributee) under the Exchange Act, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the restricted period referred to above) and (C) in the case of any transfer or distribution pursuant to clause (g) and (h), it shall be a condition to such transfer that no public filing, report or announcement shall be voluntarily made and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of shares of common stock in connection with such transfer or distribution shall be legally required during the restricted period, such filing, report or announcement shall clearly indicate in the footnotes thereto the nature and conditions of such transfer.

We will agree to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We have applied to have our common stock approved for listing/quotation on the Nasdaq Global Select Market under the symbol "HYFM".

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of

preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' option to purchase additional shares referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq Global Select Market in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our shares of common stock, or that the shares will trade in the public market at or above the initial public offering price.

**Directed Share Program**

At our request, the underwriters have reserved up to shares of our common stock, or % of the shares offered by this prospectus, for sale at the initial public offering price through a directed share program to our directors, officers and certain of our employees. If purchased by these persons, these shares will be subject to the terms of lock-up agreements described above. The number of shares of our common stock available for sale to the general public will be reduced to the extent that such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. Other than the underwriting discount described on

the front cover of this prospectus, the underwriters will not be entitled to any commission with respect to shares of our common stock sold pursuant to the directed share program. We will agree to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the shares reserved for the directed share program.

***Other Relationships***

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or other customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

***Selling Restrictions***

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to this offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

**Notice to Prospective Investors in Canada**

The shares of common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal, that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario) and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares of common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts*, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Notice to Prospective Investors in the European Economic Area and the United Kingdom**

In relation to each Member State of the European Economic Area and the United Kingdom (each, a "Relevant State"), no shares of common stock have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

A. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

B. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the bookrunner for any such offer; or

C. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

*provided* that no such offer of shares of common stock shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and us that it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation.

In the case of any shares of common stock being offered to a financial intermediary as that term is used in the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of common stock to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the bookrunner have been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

**Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons") or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares of common stock in the United Kingdom within the meaning of the Financial Services and Markets Act 2000.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this prospectus or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this prospectus relates to may be made or taken exclusively by relevant persons.

**Notice to Prospective Investors in Switzerland**

The shares of common stock may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the common stock to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the common stock constitutes a prospectus pursuant to the FinSA, and neither this prospectus nor any other offering or marketing material relating to the common stock may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to this offering, us or the shares of common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with and the offer of shares of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

**Notice to Prospective Investors in the Dubai International Financial Centre ("DIFC")**

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "DFSA"). This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for this prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

In relation to its use in the DIFC, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

**Notice to Prospective Investors in Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"), and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "CO") or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

**Notice to Prospective Investors in Japan**

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

**Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each underwriter has represented and agreed that it has not offered or sold any shares of common stock or caused the shares of common stock to be made the subject of an invitation for subscription or purchase and will not offer or sell any shares of common stock or cause the shares of common stock to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock, whether directly or indirectly, to any person in Singapore other than:

(i) to an institutional investor (as defined in Section 274A of the Securities and Futures Act, (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") pursuant to Section 274 of the SFA);

(ii) to a relevant person (as defined in Section 275(1) of the SFA) or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of common stock pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

This prospectus is not intended to constitute an offer or solicitation to purchase or invest in the shares of common stock.

**Notice to Prospective Investors in Australia**

This document:

- does not constitute a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "Corporations Act");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document for the purposes of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors available under section 708 of the Corporations Act ("Exempt Investors").

The shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the shares you undertake to us that you will not, for a period of 12 months from the date of issue of the shares, offer, transfer, assign or otherwise alienate

those shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

## LEGAL MATTERS

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, which has acted as our counsel in connection with this offering, will pass upon the validity of the shares of our common stock being offered by this prospectus. The underwriters have been represented by Davis Polk & Wardwell LLP.

## EXPERTS

The consolidated financial statements of Hydrofarm Holdings Group, Inc. as of and for the year ended December 31, 2019 included in this prospectus and the related 2019 financial statement schedule included elsewhere in the registration statement, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement (which report expresses an unqualified opinion on the financial statements and financial statement schedule and includes an explanatory paragraph referring to the adoption of FASB ASC Topic 842, *Leases*). Such financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Hydrofarm Holdings Group, Inc. as of and for the year ended December 31, 2018 included in this prospectus and the related financial statement schedule included elsewhere in the registration statement, have been audited by MNP LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements and financial statement schedule are included in reliance upon the reports of such firms given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus does not contain all the information contained in the registration statement and the exhibits and schedules filed as part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement, including all amendments, supplements, schedules and exhibits thereto. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copies of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

Upon effectiveness of the registration statement of which this prospectus forms a part, we will file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains a website at *http://www.sec.gov* that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our registration statement and the referenced exhibits can also be found on this site.

Our website address is *www.hydrofarm.com.* The information contained in, and that can be accessed through, our website is not incorporated into and shall not be deemed to be part of this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**HYDROFARM HOLDINGS GROUP, INC.**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the stockholders and the Board of Directors of Hydrofarm Holdings Group, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Hydrofarm Holdings Group, Inc. and subsidiaries (the "Company") as of December 31, 2019, the related consolidated statements of operations, comprehensive loss, changes in convertible preferred stock and stockholders' equity, and cash flows, for the year ended December 31, 2019, and the related notes and Schedule II listed in the Index to Consolidated Financial Statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 4 to the financial statements, effective January 1, 2019, the Company adopted FASB ASC Topic 842, *Leases*, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

**Basis for Opinion**

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

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

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

/s/ Deloitte & Touche LLP

San Francisco, California
August 14, 2020

We have served as the Company's auditor since 2020.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Hydrofarm Holdings Group, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Hydrofarm Holdings Group, Inc. (the "Company") as of December 31, 2018, and the related consolidated statements of operations, comprehensive loss, changes in convertible preferred stock and stockholders' equity, and cash flows for the year ended December 31, 2018, and the related notes and schedule (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2018.
Toronto, Ontario
May 10, 2019

**Hydrofarm Holdings Group, Inc.**

**CONSOLIDATED BALANCE SHEETS**
**(In thousands, except for share and per share amounts)**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 22,866 | $ 27,923 |
| Restricted cash | 9,991 | — |
| Accounts receivable, net | 15,246 | 15,566 |
| Inventories | 50,228 | 53,200 |
| Notes receivable | 4,796 | 2,000 |
| Prepaid expenses and other current assets | 1,840 | 1,903 |
| **Total current assets** | 104,967 | 100,592 |
| Property and equipment, net | 3,550 | 4,490 |
| Operating lease right-of-use assets | 18,521 | — |
| Intangible assets, net | 57,406 | 68,369 |
| Other assets | 1,207 | 960 |
| **Total assets** | $ 185,651 | $ 174,411 |
| **Liabilities, convertible preferred stock and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 17,224 | $ 17,064 |
| Accrued expenses and other current liabilities | 9,188 | 6,704 |
| Current portion of lease liabilities | 3,181 | — |
| Current portion of long-term debt | 34,827 | 20,096 |
| **Total current liabilities** | 64,420 | 43,864 |
| Long-term lease liabilities | 15,786 | — |
| Long-term debt | 73,105 | 80,424 |
| Deferred tax liabilities | — | 881 |
| Other long-term liabilities | 1,160 | 1,698 |
| **Total liabilities** | 154,471 | 126,867 |
| **Commitments and contingencies (Note 16)** | | |
| **Convertible preferred stock** $0.0001 par value; 50,000,000 shares authorized and 7,007,429 issued and outstanding at December 31, 2019 | 21,802 | — |
| **Stockholders' equity** | | |
| Common stock $0.0001 par value; 300,000,000 shares authorized at December 31, 2019 and 2018, respectively; 69,745,562 shares issued and outstanding at December 31, 2019 and 2018 | 7 | 7 |
| Additional paid-in capital | 156,174 | 155,966 |
| Accumulated other comprehensive loss | (144) | (1,853) |
| Accumulated deficit | (146,659) | (106,576) |
| **Total stockholders' equity** | 9,378 | 47,544 |
| **Total liabilities, convertible preferred stock and stockholders' equity** | $ 185,651 | $ 174,411 |

*The accompanying notes are an integral part of the consolidated financial statements.*

**Hydrofarm Holdings Group, Inc.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except for share and per share amounts)**

| | Years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net sales | $ 235,111 | $ 211,813 |
| Cost of goods sold | 208,025 | 187,743 |
| **Gross profit** | 27,086 | 24,070 |
| Operating expenses: | | |
| Selling, general and administrative | 43,784 | 42,229 |
| Impairment, restructuring and other | 10,035 | 7,169 |
| **Loss from operations** | (26,733) | (25,328) |
| Interest expense | (13,467) | (11,606) |
| Loss on debt extinguishment | (679) | — |
| Other income, net | 105 | 995 |
| **Loss before tax** | (40,774) | (35,939) |
| Income tax benefit | 691 | 397 |
| **Net loss** | (40,083) | (35,542) |
| Net loss attributable to non-controlling interest | — | (2,650) |
| **Net loss attributable to Hydrofarm Holdings Group, Inc.** | $ (40,083) | $ (32,892) |
| **Basic and diluted net loss per share attributable to common stockholders (2018 assumes retroactive conversion of non-controlling interest into controlling interest)** | $ (0.57) | $ (0.69) |
| **Weighted-average shares used to compute basic and diluted net loss per share attributable to common stockholders** | 69,745,562 | 51,883,059 |
| **Basic and diluted pro forma net loss per share attributable to common stockholders (unaudited)** | [ ] | |
| **Weighted-average shares used to compute pro forma basic and diluted net loss per share attributable to common stockholders (unaudited)** | [ ] | |

*The accompanying notes are an integral part of the consolidated financial statements.*

**Hydrofarm Holdings Group, Inc.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**(In thousands)**

| | Years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Net loss** | **$(40,083)** | **$(35,542)** |
| **Other comprehensive income (loss):** | | |
| Foreign currency translation gain (loss) | **1,709** | **(2,418)** |
| **Total comprehensive loss** | **(38,374)** | **(37,960)** |
| Comprehensive loss attributable to non-controlling interest | **—** | **(2,828)** |
| **Comprehensive loss attributable to Hydrofarm Holdings Group, Inc.** | **$(38,374)** | **$(35,132)** |

*The accompanying notes are an integral part of the consolidated financial statements.*

**Hydrofarm Holdings Group, Inc.**

**CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**
**(In thousands, except for share amounts)**

| | Convertible Preferred Stock | | Controlling Interest | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Stockholders' Equity | Non-controlling Interest | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | | | | |
| **Balance, January 1, 2018** | — | $ — | 37,660,681 | $ 4 | $ 90,806 | $ 484 | $ (62,074) | $ 29,220 | $ 4,071 | $ 33,291 |
| Exchange of new shares for non-controlling interest in subsidiary | — | — | 5,370,648 | 1 | 12,949 | (97) | (11,610) | **1,243** | (1,243) | — |
| Concurrent Offering of shares and warrants for cash | — | — | 4,460,659 | — | 11,146 | — | — | **11,146** | — | **11,146** |
| Concurrent Offering of shares and warrants for conversion of loan from related party | — | — | 1,633,958 | — | 4,088 | — | — | **4,088** | — | **4,088** |
| Reverse merger with Hydrofarm Holdings Group, Inc. as accounting acquiree | — | — | 4,000,000 | — | 1 | — | — | **1** | — | **1** |
| Offering of shares and warrants for cash | — | — | 16,619,616 | 2 | 41,497 | — | — | **41,499** | — | **41,499** |
| Offering and Concurrent Offering costs | — | — | — | — | (4,521) | — | — | **(4,521)** | — | **(4,521)** |
| Net loss | — | — | — | — | — | — | (32,892) | **(32,892)** | (2,650) | **(35,542)** |
| Foreign currency translation loss | — | — | — | — | — | (2,240) | — | **(2,240)** | (178) | **(2,418)** |
| **Balance, December 31, 2018** | — | — | **69,745,562** | **7** | **155,966** | **(1,853)** | **(106,576)** | **47,544** | — | **47,544** |
| Proceeds from issuance of Series A Convertible Preferred Stock, net of issuance costs of $1,274 | **4,825,346** | **15,615** | — | — | — | — | — | — | — | — |
| Issuance of Series A Convertible Preferred Stock upon conversion of debt | **2,182,083** | **7,637** | — | — | — | — | — | — | — | — |
| Receivable exchanged for issuance of Series A Convertible Preferred Stock | — | **(1,450)** | — | — | — | — | — | — | — | — |
| Stock-based compensation expense | — | — | — | — | 208 | — | — | **208** | — | **208** |
| Net loss | — | — | — | — | — | — | (40,083) | **(40,083)** | — | **(40,083)** |
| Foreign currency translation gain | — | — | — | — | — | 1,709 | — | **1,709** | — | **1,709** |
| **Balance, December 31, 2019** | **7,007,429** | **$21,802** | **69,745,562** | **$ 7** | **$156,174** | **$ (144)** | **$(146,659)** | **$ 9,378** | **$ —** | **$ 9,378** |

*The accompanying notes are an integral part of the consolidated financial statements.*

**Hydrofarm Holdings Group, Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | Years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Operating activities** | | |
| Net loss | $ (40,083) | $ (35,542) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 6,995 | 8,260 |
| Provision for doubtful accounts | 933 | 534 |
| Provision for (benefit from) inventory obsolescence | 707 | (824) |
| Stock-based compensation expense | 208 | — |
| Amortization of inventory step-up of basis | — | 798 |
| Impairment charges | 5,390 | 2,716 |
| Non-cash operating lease expense | 3,650 | — |
| Amortization of deferred financing costs | 967 | 643 |
| Loss on debt extinguishment | 679 | — |
| Interest expense and fees capitalized to principal of long-term debt | 9,644 | 6,883 |
| Payment of interest expense and fees capitalized to principal of long-term debt | (2,360) | — |
| Deferred income tax benefit | (718) | (899) |
| Other | 105 | (22) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (620) | 6,821 |
| Inventories | 2,725 | 22,043 |
| Prepaid expenses and other current assets | (9) | 509 |
| Other assets | 494 | 560 |
| Accounts payable | (1,199) | (5,652) |
| Accrued expenses and other current liabilities | 2,364 | (3,079) |
| Lease liabilities | (3,297) | — |
| Other long-term liabilities | 123 | 688 |
| **Net cash (used in) provided by operating activities** | (13,302) | 4,437 |
| **Investing activities** | | |
| Purchases of property and equipment | (768) | (1,343) |
| Issuance of notes receivable | (3,050) | (2,000) |
| Other | — | 31 |
| **Net cash used in investing activities** | (3,818) | (3,312) |
| **Financing activities** | | |
| Proceeds from issuance of Series A Convertible Preferred Stock, net of issuance costs | 14,165 | — |
| Proceeds from issuance of convertible debt | 7,532 | — |
| Borrowings under revolving credit facilities | 256,862 | 192,903 |
| Payments of deferred financing costs | (1,697) | — |
| Repayments of long-term debt and revolving credit facilities | (256,785) | (220,309) |
| Payments made on financing leases | (177) | — |
| Proceeds from Offering and Concurrent Offering | — | 52,645 |
| Payments of offering costs on Offering and Concurrent Offering | — | (4,521) |
| Proceeds from loans from related party | — | 6,000 |
| Payments of loans from related party | — | (2,000) |
| Other | — | 798 |
| **Net cash provided by financing activities** | 19,900 | 25,516 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 2,154 | (924) |
| Net increase in cash, cash equivalents and restricted cash | 4,934 | 25,717 |
| Cash, cash equivalents and restricted cash at beginning of year | 27,923 | 2,206 |
| Cash, cash equivalents and restricted cash at end of year | $ 32,857 | $ 27,923 |
| **Non-cash investing and financing activities** | | |
| Issuance of Series A Convertible Preferred Stock upon conversion of debt and accrued interest | $ 7,637 | $ — |
| Receivable related to issuance of Series A Convertible Preferred Stock | $ 1,450 | $ — |
| Deferred financing costs capitalized to principal of long-term debt | $ 615 | $ — |
| Property and equipment acquired under finance lease obligation | $ 251 | $ 279 |
| Conversion of loan from related party to common shares | $ — | $ 4,088 |
| **Supplemental information** | | |
| Cash paid for interest | $ 5,492 | $ 4,710 |
| Cash paid for income taxes | $ 63 | $ 613 |

*The accompanying notes are an integral part of the consolidated financial statements.*

**Hydrofarm Holdings Group, Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2019 and 2018**
**(in thousands, except share amounts)**

## 1. DESCRIPTION OF THE BUSINESS

***Introduction***

Hydrofarm Holdings Group, Inc. and its subsidiaries (collectively, the "Company") were formed to acquire and continue the business of Hydrofarm, LLC which, since 1977, has been in the distribution and manufacturing of indoor garden and hydroponics products. The Company was organized under the laws of the State of Delaware and currently maintains its headquarters in Petaluma, California. Products offered include agricultural lighting devices, indoor climate control equipment, hydroponics and nutrients, and plant additives.

Prior to the fall of 2018, the legal parent of Hydrofarm, LLC, the primary operating subsidiary, was Hydrofarm Investment Corp. As discussed further below under "*Recapitalization and reverse merger in 2018*", Hydrofarm Investment Corp. underwent a recapitalization and reverse merger in a series of transactions in which Hydrofarm Holdings Group, Inc., a shell company, became the legal parent.

***Formation Transaction on May 12, 2017***

Hydrofarm Investment Corp. was formed on March 21, 2017, and had no operations, assets or liabilities prior to its capitalization on May 12, 2017. On May 12, 2017, Hydrofarm Investment Corp. raised $90,810 in cash and incurred transaction costs of $3,185 in exchange for 37,660,681 newly issued shares of common stock from a group of third -party investors, borrowed $75,000, less transaction costs of $1,666, on a new term loan (the "Term Loan") with Brightwood Loan Services, LLC ("Brightwood"), and drew $27,186 of available funds from a revolving line of credit facility ("BofA Credit Facility") with Bank of America N.A. ("Bank of America"), for total net proceeds of $188,145. The proceeds were used to acquire an 87.5% interest in Hydrofarm Holdings LLC, a newly formed entity and intermediate parent of Hydrofarm, LLC. Separately, an investor in Hydrofarm, LLC acquired a direct 12.5% interest in Hydrofarm Holdings LLC valued at $12,950 (this interest was presented as a non-controlling interest in the Company at the time of transaction until it was exchanged for shares in the Company as discussed below under "*Recapitalization and reverse merger in 2018"*). The Company, through its subsidiary, Hydrofarm Holdings LLC, then acquired Hydrofarm, LLC from its members for $201,095, and Hydrofarm, LLC became an indirect subsidiary of the Company.

As a result of the 87.5% change in control of Hydrofarm, LLC, the acquisition was accounted for by the Company as a business combination. Under this method, consideration transferred is measured at fair value which is calculated as the sum of the acquisition date consideration plus the fair value of any obligations incurred.

These transactions are collectively referred to as the "Formation Transaction."

***Recapitalization and reverse merger in 2018***

*The Offering*

In the fall of 2018, Hydrofarm Holdings Group, Inc., previously a shell entity with nominal assets and liabilities and 4,000,000 shares of common stock outstanding, completed a private placement (the "Offering") of units offered to third -party investors at a price of $2.50 each. Each unit consisted of one share of common stock and a warrant entitling the holder to purchase one-half (1/2) share of common stock at an exercise price of $5.00 per common share (the "Units"). The Offering raised $41,499 (excluding fees and expenses) for 16,619,616 Units.

*The Concurrent Offering and reverse merger*

At approximately the same time as, and in relation to, the Offering, Hydrofarm Holdings Group, Inc. offered to investors in Hydrofarm Investment Corp. Units with the same terms as those in the Offering (the

"Concurrent Offering"). Hydrofarm Holdings Group, Inc. raised $15,234 in the Concurrent Offering. Consideration consisted of $11,146 in cash for 4,460,659 Units and the conversion to Units of a $4,000 loan outstanding plus accrued interest of $88 from a related party for 1,633,958 Units (excluding fees and expenses).

On August 28, 2018, in connection with the Offering and Concurrent Offering, in a series of concurrent transactions, the shareholders in Hydrofarm Investment Corp. and the holder of the non-controlling interest ("NCI") in Hydrofarm Holdings LLC exchanged all of the holder's interests for 43,031,329 shares of Hydrofarm Holdings Group, Inc.'s common stock which, along with 6,094,617 shares issued in the Concurrent Offering, totaled 49,125,946 shares and represented a 70.4% controlling interest. The exchange ratio for the 43,031,329 shares was one Hydrofarm Holdings Group, Inc. common share for 0.4147 Hydrofarm Investment Corp. common share. As a result of the exchange, Hydrofarm Investment Corp. and its subsidiaries became wholly-owned subsidiaries of Hydrofarm Holdings Group, Inc. Hydrofarm, LLC continues as the principal operating subsidiary. Since this exchange was a common control transaction, the carrying value of the NCI was transferred to controlling interest allocated between paid in capital and the NCI's share of accumulated losses at net book value. The transaction was treated as a tax-free exchange under Section 368(a) of the Internal Revenue Code of 1986, as amended.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*, since the members of Hydrofarm Investment Corp. prior to the exchange continued to hold a controlling interest in Hydrofarm Holdings Group, Inc. after the exchange (e.g., there was no change in control of Hydrofarm Investment Corp.), Hydrofarm Investment Corp. is deemed to be the "accounting acquirer" and Hydrofarm Holdings Group, Inc. is deemed to be the "accounting acquiree." From an accounting perspective, the consolidated financial statements of the combined entity represent a continuation of the financial position and results of operations of the accounting acquirer/legal acquiree. Accordingly, the historical cost basis of assets, liabilities, capital and accumulated deficit of Hydrofarm Investment Corp. as the accounting acquirer/legal acquiree are carried over to the consolidated financial statements of the merged company.

Hydrofarm Holdings Group, Inc. had no assets prior to the merger except $1 in cash, and no liabilities or operations; accordingly, it is considered a "shell company" which does not meet the definition of a "business" under ASC 805. For accounting purposes, mergers of operating companies into shell companies are considered to be capital transactions rather than business combinations. These transactions are equivalent to the issuance of stock by the private company for the net monetary assets, if any, of the shell corporation, accompanied by a recapitalization. The accounting for the transaction is identical to that resulting from a reverse acquisition, except that goodwill or other intangible assets would not be recognized. Since Hydrofarm Holdings Group, Inc. was a shell company, there is no accounting basis associated with the 4,000,000 shares of Hydrofarm Holdings Group, Inc. common stock deemed acquired in the merger other than the $1 in cash.

Consolidated financial statements prepared following a reverse merger are issued under the name of the legal parent (accounting acquiree) and are a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment. The adjustment retroactively states the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. Accordingly, the share and stated capital of Hydrofarm Investment Corp. have been retroactively adjusted in these consolidated financial statements and footnotes using the exchange ratio established in the merger agreements to reflect the number of shares of Hydrofarm Holdings Group, Inc. issued in the exchange.

For convenience hence-forth here-in, the consolidated financial statements for periods prior to the exchange are referred to as those of the "Company" unless otherwise noted.

*Warrants issued to placement agents*

As part of the Offering and Concurrent Offering, placement agents were issued warrants to purchase 1,742,955 shares of common stock in the Company of which 580,978 shares subject to warrants are exercisable

(in thousands, except share amounts)

at a price of $5.00 per share and 1,161,977 shares subject to warrants are exercisable at a price of $2.50 per share. The placement agent warrants are exercisable only upon exercise of the investor warrants issued in the Offering and Concurrent Offering. The aggregate fair value of the placement agent warrants of $781 has been accounted for as an increase and a decrease to accumulated paid in capital for the issuance of the instrument within Offering and Concurrent Offering costs as an offset to the proceeds from the offering as transaction costs.

The following is a summary of the aggregate shares of common stock and shares subject to warrants issued as part of the Offering and Concurrent Offering:

| | Common Stock | Shares Subject to Warrants |
|---|---|---|
| Offering | 16,619,616 | 8,309,807 |
| Concurrent Offering | 4,460,659 | 2,230,329 |
| Conversion of Loan | 1,633,958 | 816,978 |
| **Subtotal** | **22,714,233** | **11,357,114** |
| Placement agent warrants | — | 1,742,955 |
| **Total** | **22,714,233** | **13,100,069** |

## 2. ADJUSTMENTS TO PRIOR PERIOD FINANCIAL STATEMENTS

The consolidated balance sheet, statement of operations, statement of other comprehensive loss, and statement of cash flows as of and for the year ended December 31, 2018 (“2018”) have been adjusted from the previously issued presentation to (a) conform certain classifications to the year ended December 31, 2019 (“2019”) presentation, which management believes better align with those classifications used by other entities in businesses similar to the Company’s business and (b) adjust the 2018 consolidated financial statements for certain immaterial errors, individually and in aggregate. The adjustments were primarily to (i) properly accrue for certain discounts and expenses, including a settlement with a distributor (see Note 16, *Purchase Commitments*), (ii) write-off contingent consideration related to an earn-out, (iii) properly record depreciation expense for select long-lived assets, (iv) properly reflect sales cut-off at year-end and (v) properly classify deferred tax assets and tax expenses for all the aforementioned adjustments. The Company has also adjusted the disclosures in Note 6, *Accounts Receivable, Net and Inventories,* Note 9*, Property and Equipment,* Note 10*, Intangible Assets and Goodwill,* and Note 11, *Accrued Expenses and Other Current Liabilities* for the impact of the reclassifications and adjustments to 2018 disclosures.

The following tables reconciles the previously reported amounts as of and for the year ended December 31, 2018 to amounts reported in the accompanying consolidated financial statements:

**Hydrofarm Holdings Group, Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2019 and 2018**
**(in thousands, except share amounts)**

*Consolidated balance sheet amounts:*

| | As previously reported | Reclassifications | Adjustments | As restated and reclassified |
|---|---|---|---|---|
| Accounts receivable, net | $ 16,097 | $ — | $ (531) | **$ 15,566** |
| Inventories, net | 53,763 | (929) | 366 | **53,200** |
| Notes receivable | — | 2,000 | — | **2,000** |
| Prepaid expenses and other current assets | 3,403 | (1,071) | (429) | **1,903** |
| Total current assets | 101,186 | — | (594) | **100,592** |
| Property and equipment, net | 5,446 | — | (956) | **4,490** |
| Other assets | 531 | — | 429 | **960** |
| Total assets | 175,532 | — | (1,121) | **174,411** |
| Accrued expenses and other current liabilities | 7,231 | — | (527) | **6,704** |
| Total current liabilities | 44,391 | — | (527) | **43,864** |
| Deferred tax liabilities | 2,342 | — | (1,461) | **881** |
| Other long-term liabilities | 590 | — | 1,108 | **1,698** |
| Total liabilities | 127,747 | — | (880) | **126,867** |
| Accumulated deficit | (106,335) | — | (241) | **(106,576)** |
| Total stockholders' equity | 47,785 | — | (241) | **47,544** |
| Total liabilities, convertible preferred stock and stockholders' equity | 175,532 | — | (1,121) | **174,411** |

*Consolidated statement of operations amounts:*

| | As previously reported | Reclassifications | Adjustments | As restated and reclassified |
|---|---|---|---|---|
| Net sales | $212,464 | $ — | $ (651) | **$211,813** |
| Cost of goods sold | 183,690 | 2,813 | 1,240 | **187,743** |
| **Gross profit** | 28,774 | (2,813) | (1,891) | **24,070** |
| Operating expenses: | | | | |
| Salaries and benefits | 16,463 | (16,463) | — | **—** |
| Marketing | 2,584 | (2,584) | — | **—** |
| General and administrative | 18,668 | (18,668) | — | **—** |
| Selling, general and administrative | — | 42,055 | 174 | **42,229** |
| Depreciation and amortization | 7,170 | (7,170) | — | **—** |
| Impairment, restructuring and other charges | 3,244 | 4,453 | (528) | **7,169** |
| **Loss from operations** | | | | **25,328** |
| Interest expense | 11,606 | — | — | **11,606** |
| Other expense (income), net | 4,238 | (4,436) | (797) | **(995)** |
| **Net loss before tax** | (35,199) | — | (740) | **(35,939)** |
| Income tax (expense) benefit | (102) | — | 499 | **397** |
| **Net loss** | **$ (35,301)** | **$ —** | **$ (241)** | **$ (35,542)** |

**Hydrofarm Holdings Group, Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2019 and 2018**
**(in thousands, except share amounts)**

*Consolidated statement of other comprehensive loss amounts:*

| | As previously reported | Reclassifications | Adjustments | As restated and reclassified |
|---|---|---|---|---|
| **Net loss** | $(35,301) | $ — | $(241) | **$(35,542)** |
| **Other comprehensive loss** | | | | |
| Foreign currency translation loss | (2,418) | — | — | **(2,418)** |
| **Total comprehensive loss** | (37,719) | — | (241) | **(37,960)** |
| Comprehensive loss attributable to non-controlling interest | (2,828) | — | — | **(2,828)** |
| **Comprehensive loss attributable to Hydrofarm Holdings Group, Inc.** | **$(34,891)** | **$ —** | **$(241)** | **$(35,132)** |

*Consolidated statement of cash flows amounts:*

| | As previously reported | Reclassifications | Adjustments | As restated and reclassified |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss | $(35,301) | $ — | $ (241) | **$(35,542)** |
| Depreciation and amortization | 7,170 | — | 1,090 | **8,260** |
| Provision for (benefit from) inventory obsolescence | 724 | — | (1,548) | **(824)** |
| Impairment charges | 3,244 | — | (528) | **2,716** |
| Deferred income tax benefit | — | 34 | (933) | **(899)** |
| Accounts receivable | 6,290 | — | 531 | **6,821** |
| Inventories | 21,203 | (342) | 1,182 | **22,043** |
| Prepaid expenses and other current assets | (262) | 342 | 429 | **509** |
| Other assets | 989 | — | (429) | **560** |
| Accrued expenses and other current liabilities | (2,656) | 104 | (527) | **(3,079)** |
| Deferred tax liabilities | 138 | (138) | — | **—** |
| Other long-term liabilities | (420) | — | 1,108 | **688** |
| Net cash provided by operating activities | 4,303 | — | 134 | **4,437** |
| **Investing activities** | | | | |
| Proceeds from sale of property plant and equipment | 538 | (538) | — | **—** |
| Investment in computer software | (372) | 372 | — | **—** |
| Acquisitions, including shell company through reverse merger, net of cash acquired | (1) | 1 | — | **—** |
| Other | — | 165 | (134) | **31** |
| Net cash used in investing activities | (3,178) | — | (134) | **(3,312)** |

## 3. GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business within one year after the date the consolidated financial statements are available to be issued. Management evaluates whether there are conditions or events, considered in aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

As described in Note 12, *Debt,* the BofA Credit Facility was replaced with another facility from Encina Business Credit, LLC ("Encina") in July 2019 (the "Encina Credit Facility"). Among other provisions in the new agreement, the financial covenant tests were negotiated to more appropriately reflect the business model as it existed in mid-2019. In September and October of 2019, the Company received proceeds of $7,532 (less issuance costs of $552) from the issuance of debt convertible into preferred stock. In addition, certain sales growth and expense rationalization initiatives were successfully implemented in 2019, which increased sales and stabilized expenses. To improve the Company's capitalization, in December 2019 and in January and February 2020, proceeds of $17,958, net of offering costs, were raised from the issuance of convertible preferred stock; at the time of the offering, convertible preferred stock was issued in exchange for the outstanding convertible debt.

Based on management's evaluation, the Company expects that, as of the date these consolidated financial statements are available to be issued, its present financial resources, together with the net proceeds received from the issuance of the convertible preferred stock and loans in 2020, will be sufficient to meet its obligations as they come due and to fund its operations for at least 12 months after the date the consolidated financial statements are available to be issued. Accordingly, the conditions that previously raised substantial doubt about the Company's ability to continue as a going concern as of the date of issuance of the Company's December 31, 2018 consolidated financial statements have been alleviated.

## 4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

***Basis of consolidation and presentation***

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly owned subsidiaries and any entities in which it maintains a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation.

***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include provisions for sales returns, rebates and claims from customers, realization of accounts receivable and inventories, valuation of intangible assets and goodwill, valuation of stock and warrants issued in private placements, valuation of stock-based compensation and recognition of deferred income taxes, recognition of liabilities related to commitments and contingencies and valuation allowances. Actual results may differ from these estimates. On an ongoing basis, the Company reviews its estimates to ensure that these estimates appropriately reflect changes in its business or new information available.

(in thousands, except share amounts)

***Segment and entity-wide information***

*Segment information*

The Company's chief operating decision maker ("CODM") is the chief executive officer ("CEO") who reviews financial information for the purposes of making operating decisions, assessing financial performance and allocating resources.

The business is organized as two operating segments, the U.S. and Canada, which meet the criteria for aggregation, and the Company has elected to present them as one reportable segment which is the distribution and manufacture of branded hydroponics equipment and supplies. Aggregation is based on similarities which include the nature of its products, production or acquisition of inventory, customer base, fulfillment and distribution and economic characteristics. The similarities in 2019 compared to 2018 have been driven in large part by the current CEO, who joined the Company in January 2019, and most of his executive team thereafter, who have implemented company-wide initiatives to better integrate the business units and improve operating and other efficiencies.

Since the Company operates as one reportable segment, all required segment financial information is found in the consolidated financial statements and footnotes with entity-wide disclosures presented below.

The presentation for 2018 has been recast to conform to the current year evaluation of one reportable segment. The change in presentation was driven by initiatives implemented by management in 2019, as discussed above.

*Entity-wide information*

Sales to external customers and property and equipment, net in the United States and Canada, determined by location of the subsidiaries, were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| United States | $194,618 | $169,018 |
| Canada | 44,515 | 49,147 |
| Intersegment eliminations | (4,022) | (6,352) |
| Total consolidated net sales | $235,111 | $211,813 |

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| United States | $2,660 | $3,557 |
| Canada | 890 | 933 |
| Total property and equipment, net | $3,550 | $4,490 |

All of the products sold by the Company are similar and classified as hydroponic equipment and supplies. The Company's underlying accounting records currently do not support presentation of disaggregated net sales and any attempt to report them would be impracticable.

***Concentrations of business and credit risk***

The Company maintains cash balances at certain financial institutions that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk in this area.

Accounts receivable, which are unsecured except those that are backed by personal guarantees, expose the Company to credit risks such as collectability and business risks such as customer concentrations. Exposure to losses on receivables is principally dependent on each customer's financial condition. Credit risk is mitigated by investigating the credit worthiness of most customers prior to establishing relationships with them and performing periodic review of the credit activities of those customers. Receivables arising from sales are not collateralized; however, credit risk is somewhat mitigated as a result of the large diverse customer base. No customer accounted for more than 10% of revenues in 2019 and 2018. One customer accounted for 11% of accounts receivable for the year ended December 31, 2019, and no customers accounted for more than 10% of accounts receivable as of December 31, 2018. One supplier accounted for 10% of purchases in 2019, and no suppliers accounted for more than 10% of purchases in 2018.

***Fair value measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value which requires a fair value hierarchy to be applied to all fair value measurements. All financial instruments recognized at fair value are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or, corroborated by, observable market data by correlation or other means.

Level 3 — Valuation techniques with significant unobservable market inputs.

***Foreign currency transactions***

The Company reports its financial results in United States dollars, which is the currency of the primary economic environment in which it operates. The functional currency for each of the Company's foreign subsidiaries is generally its local currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at the end of each year. Income and expense items are translated at the average rates of exchange prevailing during the year. Translation gains and losses arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income (loss) within stockholders' equity. Foreign currency transaction gains and losses are included in the determination of net income (loss) and classified as other (expense) income, net in the consolidated statements of operations. The Company recognized transactional losses of $171 and $53 in 2019 and 2018, respectively.

The effect of currency translation adjustments on cash, cash equivalents and restricted cash is presented separately in the consolidated statements of cash flows.

***Cash, cash equivalents and restricted cash***

Cash includes funds deposited in banks. Cash equivalents include highly liquid investments such as term deposits and money market instruments with original maturities of three months or less. As of December 31, 2019, amounts included in restricted cash represent those funds required to be set aside by contractual agreements with the term loan, credit card, and letter of credit providers.

In November 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*. ASU 2016-18 requires that the statements of cash flows explain the

(in thousands, except share amounts)

change during the period in the total cash, cash equivalents and restricted cash. The Company retroactively adopted this standard in 2019 and there was no impact to the consolidated statement of cash flows in 2018 as the Company did not have any restricted cash as of December 31, 2018 and January 1, 2018. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the consolidated statements of cash flows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | $22,866 | $27,923 |
| Restricted cash | 9,991 | — |
| Cash and cash equivalents, and restricted cash | $32,857 | $27,923 |

***Accounts receivable, net***

Accounts receivable, net represents amounts due from customers less the allowance for doubtful accounts.

Allowances for doubtful accounts reflect the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. The allowance is determined based on a combination of factors, including the age of the account, the credit worthiness of the customer, payment terms, the customer's historical payment history and general economic conditions. Accounts receivable balances are charged off against the allowance account when the Company believes it is probable the receivable will not be recovered.

***Inventories***

Inventories are primarily comprised of finished goods and are recorded at the lower of cost or net realizable value determined on a first-in, first-out basis. Cost includes purchase price and other costs such as import duties, taxes and transportation costs. Trade discounts and rebates are deducted from the purchase price.

The Company maintains an allowance for excess and obsolete inventory. The estimate for excess and obsolete inventory is based upon assumptions about future demand and market conditions. If actual conditions are less favorable than those projected, it may be necessary to increase the allowance for excess and obsolete inventory. Any increase in the allowance will adversely impact results of operations. The establishment of an allowance of excess and obsolete inventory establishes a new cost basis in the inventory. Such allowance is not reduced until the product is sold. If inventory is sold, any related reserves would be reversed in the period of sale.

***Leases***

The Company early adopted FASB ASC 842, *Leases*, using the modified retrospective approach effective January 1, 2019, and no cumulative effect adjustment was required to be recorded. Based on the Company's current lease portfolio, the adoption of the new standard resulted in the recognition of operating lease right of use ("ROU") assets and lease liabilities in the amount of approximately $24,872 and $25,135, respectively, in the Company's consolidated balance sheets. The balances for ROU assets under finance lease and finance lease obligations of $700 and $861, respectively, previously recognized and that continue to be recorded under the new standard as of January 1, 2019 without adjustment are included in property and equipment and current portion of long-term debt and long-term debt, respectively.

ASC 842 provided a number of optional practical expedients in transition. The Company elected the "package of practical expedients" available at the time of implementation which permitted the Company to carry over from ASC 840 its prior conclusions about lease identification, lease classification and initial direct

costs. On an on-going basis, the Company elected the short-term lease exemption for all leases with an initial term of 12 months or less. Lease payments included in the calculation of the ROU asset and lease liability for real estate leases exclude any portion of the payment allocable to non-lease components; however, the Company made an accounting policy election to account for the lease and non-lease components as a single lease component for equipment leases.

The Company determines if an arrangement is a lease at inception. ROU assets represent the Company's right to use an underlying asset for the lease term while lease liabilities represent the Company's obligation to make lease payments for the lease term. All leases greater than 12 months' result in the recognition of a ROU asset and liability at the lease commencement date based on the present value of the lease payments over the lease term. The present value of the lease payments is calculated using the applicable weighted-average discount rate. The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the currency denomination of the lease, the contractual lease term and the Company's applicable borrowing rate. To determine the incremental borrowing rate, reference is made to interest rates that would be available to finance assets similar to the assets under lease in their related geographical location.

The Company accounts for lease components separately from non-lease components, other than for office equipment. The Company has certain leases that include one or more options to renew with renewal terms that can extend the lease term from one to ten years. The exercise of the lease renewal options is at the Company's discretion and are included in the determination of the ROU asset and lease liability when the option is reasonably certain of being exercised.

*Prior to adoption of ASC 842*

Prior to January 1, 2019, leases were accounted for under FASB ASC 840, *Leases*, and were reviewed for capital or operating classification at their inception. Leases were classified as capital leases whenever the terms of the lease transfer substantially all the benefits and risks incidental to ownership to the lessee. All other leases were classified as operating leases.

Capital leases were recognized at the commencement of the lease at the fair value of the leased property as of the inception date or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding leased asset was amortized over its useful life.

Operating lease payments were recognized as expense on a straight-line basis over the lease term. In the event that lease incentives were received to enter into operating leases, such incentives were recognized as a liability and recognized as a reduction of rental expense on a straight-line basis.

***Property and equipment***

Property and equipment is recorded at cost less accumulated depreciation and provisions for impairment, if any. Expenditures for maintenance and repairs are expensed as incurred, while costs related to betterments and improvements that extend the useful lives of property and equipment are capitalized. When property and equipment are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts with the resulting gain or loss being reflected in loss from operations. Depreciation

of property and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets as follows:

| | |
|---|---|
| Machinery and equipment | 5 years |
| Leasehold improvements | Lesser of useful life or term of the lease |
| Computer equipment | 3 – 4 years |
| Furniture and fixtures | 5 years |

***Intangible assets and goodwill***

Definite-lived intangible assets are amortized using the straight-line method over their estimated useful lives. Certain trade names are considered to have indefinite useful lives. There were no additions to or disposals of the indefinite-lived trade name in 2019 or 2018. The costs of internal use computer software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or the post-implementation/operation stage.

The following are the estimated useful lives for the major classes of definite life intangible assets:

| | |
|---|---|
| Computer software | 5 years |
| Customer relationships | 18 years |
| Intellectual property and licenses | 5 – 15 years or the lesser of useful life and term of license |
| Trade names | 2 years |
| Favorable leases | 5 years |

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed in a business combination less any subsequent write-downs for impairment.

***Impairment***

The Company reviews its long-lived assets, including amortizable intangible assets, ROU assets and property and equipment, for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized for amortizable intangible assets and property and equipment when estimated undiscounted future cash flows expected to result from the use of the asset or asset group are less than its carrying amount. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded in impairment, restructuring and other in the consolidated statements of operations.

The Company reviews its indefinite-lived intangible asset (trade names) annually in the fourth quarter or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. When testing the trade name for impairment, the Company first performs an assessment of qualitative factors (“Step 0 Test”). If qualitative factors indicate that it is more likely than not that the fair value of the trade names are less than its carrying amount, the Company tests the trade names for impairment at the asset level using the relief-from-royalty method to determine fair value. The Company determines the fair value of the trade names and compares it to the carrying value. If the carrying value of the trade names exceeds the fair value, the Company recognizes an impairment loss in an amount equal to the excess.

The Company reviews the carrying amount of goodwill for impairment annually in the fourth quarter of the fiscal year and whenever events or changes in circumstances indicate that the carrying amount may not be

recoverable. Events that result in an impairment review include significant changes in the business climate, declines in operating results, or an expectation that the carrying amount may not be recoverable. When testing goodwill for impairment, the Company first performs a Step 0 Test. If qualitative factors indicate that it is more likely than not that the fair value of the relevant reporting unit is less than its carrying amount, the Company tests goodwill for impairment at the reporting unit level using a two-step approach. In step one, the Company determines if the fair value of the reporting unit exceeds the reporting unit's carrying value. If step one indicates that the fair value of the reporting unit is less than its carrying value, the Company performs step two, determining the fair value of goodwill and, if the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded. The Company has determined that its reporting units for the purpose of goodwill impairment testing are the United States and Canada.

***Warrants issued in connection with financings***

The Company generally accounts for warrants issued in connection with debt and equity financings as a component of equity unless the warrants include a conditional obligation to issue a variable number of shares among other conditions or there is a deemed possibility that the Company may need to settle the warrants in cash.

***Revenue recognition***

The Company early adopted FASB ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2018, with no material impact on its consolidated financial statements.

ASC 606 requires that revenue recognized from contracts with customers be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has determined that revenue is generated from one category, which is the distribution and manufacture of indoor garden and hydroponics products. Inventory is maintained in regional distribution centers. Payment terms are primarily at the point of sale or due within thirty days.

Revenue is recognized as control of promised goods or services is transferred to customers which generally occurs upon receipt at customers' locations determined by the specific terms of the contract. Arrangements have a single performance obligation and revenue is reported net of variable consideration which includes applicable volume rebates, cash discounts and sales returns and allowances. Variable consideration is estimated and recorded at the time of sale; these allowances and accruals are not material to the financial statements.

The amount billed to customers for shipping and handling costs included in net sales was $2,790 and $1,826 in 2019 and 2018, respectively. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs included in cost of goods sold under the practical expedient provisions of ASC 606. Deferred revenues are not material. The Company does not receive noncash consideration for the sale of goods. There are no significant financing components. Excluded from revenue are any taxes assessed by governmental authorities, including value-added and other sales-related taxes that are imposed on and concurrent with revenue-generating activities under the practical expedient provisions.

***Advertising and warranty costs***

Advertising costs paid to third -party vendors totaling $666 and $771 in 2019 and 2018, respectively, are expensed as incurred.

An estimate of exposure for warranty claims is accrued based on both current and historical product sales data and warranty costs incurred. Product warranties, where applicable, range from one year to five years. The Company assesses the adequacy of its recorded warranty liability periodically and adjusts the amount as necessary. Warranty expense and the related accrual are not material to these financial statements.

***Stock-based compensation***

Stock-based compensation cost is measured as of the grant date based on the fair value of the award and is expensed ratably over the service period of the award, which is typically the vesting period for time-based awards. Performance-based awards are expensed over the requisite service period based on achievement of performance criteria. The Company has elected to account for forfeitures when they occur, and any compensation expense previously recognized on unvested shares will be reversed.

The Company estimates the fair value of option-based awards subject to only a service condition on the date of grant using the Black-Scholes valuation model. The Black-Scholes model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock.

For inputs into the Black-Scholes model, the expected stock price volatility for the common stock is estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the Company's industry which are of similar size, complexity and stage of development. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury implied yield at the date of grant. The Company has elected to use the "simplified method" to determine the expected term which is the midpoint between the vesting date and the end of the contractual term because it has no history upon which to base an assumption about the term; the Company believes the simplified method approximates a term if it were to be based on expected life.

***Income taxes***

The asset and liability method of accounting for income taxes is followed whereby deferred income tax assets are recognized for deductible temporary differences and operating loss carryforwards, and deferred income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes.

Deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The income tax expense or benefit is the income tax payable or recoverable for the year plus or minus the change in deferred income tax assets and liabilities during the year.

The Company establishes a liability for tax return positions in which there is uncertainty as to whether or not the position will ultimately be sustained. Amounts for uncertain tax positions are adjusted when new information becomes available or when positions are effectively settled. The Company recognizes interest expense and penalties related to these unrecognized tax benefits within income tax expense. U.S. GAAP provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The amount recognized is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the related tax authority.

***Comprehensive income (loss)***

Comprehensive income (loss) consists of two components: net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to gains and losses that under U.S. GAAP are recorded directly as an element of stockholders' equity, but are excluded from net income (loss), and is

comprised of currency translation adjustments relating to the Company's foreign subsidiaries whose functional currency is not the U.S. dollar.

***Net loss per common share (EPS)***

Basic EPS is computed using net loss attributable to common stockholders divided by the weighted-average number of common shares outstanding during each period, excluding unvested restricted stock units.

Diluted EPS represents net loss attributable to common stockholders divided by the weighted-average number of common shares outstanding during the period, including common stock equivalents. Common stock equivalents consist of shares subject to warrants and share-based awards with exercise prices less than the average market price of the Company's common stock for the period, to the extent their inclusion would be dilutive. Stock options and restricted stock units that contain performance conditions are not included in the calculation of common stock equivalents until such performance conditions are probable of being achieved.

*Impact of recapitalization and reverse merger on 2018 EPS*

FASB ASC 260-10-55-12 states that nominal issuances of common stock are deemed to be in substance recapitalizations and should be reflected in EPS computations in a manner similar to a stock split or stock dividend for which retroactive treatment is required. In August 2018, the holders of a non-controlling interest in a subsidiary, which was previously presented as NCI, exchanged their interest for 5,370,648 shares of common stock in the Company (see Note 1, *Description of Business, Recapitalization and reverse merger in 2018*). This exchange is deemed to be a nominal issuance of common stock; accordingly, the exchange is considered to have occurred as of inception (March 21, 2017) for the purposes of calculation of EPS for 2018. Furthermore, the net loss allocable to the NCI is assumed to have converted into a controlling interest as of inception for this purpose.

In accordance with FASB ASC 805-40-45, the equity structure in the consolidated financial statements following a reverse merger reflects the equity structure of the legal acquirer (the accounting acquiree), including the equity interests issued by the legal acquirer to effect the merger. In calculating the weighted-average number of common stock outstanding (the denominator of the EPS calculation) during the period in which the reverse merger occurs:

- The number of common stock outstanding from the beginning of that period to the acquisition date shall be computed on the basis of the weighted-average number of common stock of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement.
- The number of common stock outstanding from the acquisition date to the end of that period shall be the actual number of common stock of the legal acquirer (the accounting acquiree) outstanding during that period.

Basic EPS for each comparative period before the acquisition date presented in the consolidated financial statements following a reverse merger shall be calculated by dividing (a) the income of the legal acquiree attributable to common stockholders in each of those periods by (b) the legal acquiree's historical weighted average number of common stock outstanding multiplied by the exchange ratio established in the acquisition agreement.

(in thousands, except share amounts)

*Net loss per share attributable to common stockholders*

The following table presents information necessary to calculate basic and diluted EPS for the years ended December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Net loss (2018 assumes retroactive conversion of NCI into controlling interest) | $ (40,083) | $ (35,542) |
| Less: Undistributed earnings allocable to participating securities | — | — |
| Basic and diluted net loss attributable to common stockholders | $ (40,083) | $ (35,542) |
| Weighted-average shares of common stock outstanding for basic and diluted (2018 assumes retroactive conversion of NCI into controlling interest) | 69,745,562 | 51,883,059 |
| Basic and diluted net loss per share attributable to common stockholders | $ (0.57) | $ (0.69) |

Basic and diluted net loss per share attributable to common stockholders is computed using the two-class method as the convertible preferred stock is determined to be a participating security; however, the application of the if-converted method to participation in the net loss is anti-dilutive and therefore the impact is excluded.

For the years ended December 31, 2019 and 2018, the computation of the weighted-average shares of common stock outstanding for diluted excludes the following potential common shares as their inclusion would have an anti-dilutive effect on diluted net loss per share attributable to common stockholders:

| | For the years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Shares subject to warrants outstanding | **13,100,069** | **13,100,069** |
| Shares subject to stock options outstanding | **2,764,240** | — |
| Shares subject to unvested restricted stock units | **6,137,610** | — |
| Shares convertible into common stock | **7,007,429** | — |

*Unaudited pro forma net loss per share attributable to common stockholders for 2019 presentation*

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share attributable to common stockholders assuming the automatic conversion of convertible preferred stock into [ ] shares of common stock (based on the conversion formula described in Note 13, *Convertible preferred stock and stockholders' equity*) upon consummation of the IPO as if the IPO had occurred as of the original issuance date of the convertible preferred stock:

| | For the year ended December 31, 2019 (Unaudited) |
|---|---|
| Net loss | **$ (40,083)** |
| Adjustments to net loss | — |
| **Net loss used in calculating basic and diluted pro forma net loss per share attributable to common stockholders** | **$ (40,083)** |
| Weighted-average shares of common stock used to calculate basic and diluted pro forma net loss per share attributable to common stockholders outstanding | **69,745,562** |
| Pro forma adjustment to reflect assumed conversion of all outstanding shares of convertible preferred stock into common stock | [ ] |
| **Weighted-average shares used to compute pro forma basic and diluted net loss per share attributable to common stockholders** | [ ] |
| **Basic and diluted pro forma net loss per share attributable to common stockholders** | [ ] |

(in thousands, except share amounts)

## 5. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

***Adopted in 2019***

In August 2016, The FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments — a consensus of the FASB Emerging Issues Task Force*, which clarifies guidance on eight cash flow classification issues including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principal. The Company adopted this standard in 2019 on a retrospective basis, which had no impact on the cash flow statement presentation in 2018.

***Accounting standards not yet effective***

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurement for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effect the new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, with additional amendments issued subsequently. Topic 326 changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. Topic 326 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of Topic 326 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

## 6. ACCOUNTS RECEIVABLE, NET AND INVENTORIES

Accounts receivable, net comprised the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Trade accounts receivable | $16,577 | $16,175 |
| Allowance for doubtful accounts | (1,776) | (1,227) |
| Other receivables | 445 | 618 |
| **Total accounts receivable, net** | $15,246 | $15,566 |

(in thousands, except share amounts)

Inventories comprised the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Finished goods | $54,050 | $56,419 |
| Allowance for inventory obsolescence | (3,822) | (3,219) |
| **Total inventories** | $50,228 | $53,200 |

## 7. NOTES RECEIVABLE

The Company advanced $2,000 in the form of a note receivable secured by equipment to a third party in December 2018, which was outstanding at December 31, 2018. As of December 31, 2019, the principal remained outstanding and total interest income at 8.0% per annum earned in 2019 was $160. The note was to mature on the earlier of a) 90 days after abandonment of a potential merger, b) acceleration due to default conditions, or c) December 2023. In January 2020, the Company formally abandoned the merger, and all outstanding principal and interest was repaid in February 2020.

In a separate transaction during 2019, the Company advanced a total of $2,931 in the form of a note receivable secured by equipment to another third party, which earned interest at a rate of 8.0% for total interest earned in 2019 of $119. The note was to mature on the earlier of a) four months or 12 months after abandonment of a potential merger by the third party or the Company, respectively, b) acceleration due to default conditions or c) May 29, 2023. As of December 31, 2019, the third party had defaulted on the interest payment due on September 20, 2019, triggering an increase to the default rate of 13%. In January 2020, the Company formally abandoned the merger and arranged for the principal balance to be paid in monthly installments of $254 through January 2021. Effective April 23, 2020, due to the third party being in default on the note, the parties entered a forbearance agreement stipulating that payments will commence beginning May 8, 2020. The Company and the third party are currently in discussions to amend the note. The amendment is intended to allow the third party to receive equity financing that will be used to fund operations and make a principal payment on the note upon the effective date of the amendment. The Company expects the amendment will provide for financial covenants, a first priority security on all assets, quarterly amortization, and a three-year maturity. In the event of a further default by the third party, the Company will pursue its remedies in the note which include recovery of the equipment serving as collateral, which is expected to be sufficient to settle the basis of the loan.

## 8. LEASES

The Company leases its distribution centers and certain equipment under operating and finance leases. The Company's office headquarters is located in the same building as the distribution center in Petaluma, California.

As of December 31, 2019, no renewal option periods were included in any estimated minimum lease terms as the options were not deemed to be reasonably certain to be exercised. The depreciable life of ROU assets and leasehold improvements are limited by the expected lease term. None of the lease agreements include variable rental payments that are adjusted periodically for inflation based on the index rate; rather, most leases for the distributions centers provide for fixed periodic increases. The Company's lease agreements do not contain any residual value guarantees or unusual restrictive covenants.

To determine the implicit rate as of January 1, 2019 upon adoption of ASC 842 for operating leases, reference was made to interest rates that would be available to finance assets similar to the Company's assets used under lease. These assets were mostly single-use warehouses located in industrial areas throughout the

(in thousands, except share amounts)

US and in western Canada. Because the warehouses had very similar characteristics and locations, and would be subject to similar underwriting standards, an overall rate of 4.5% was used. No new operating leases were originated during 2019.

For capital leases originated in 2019, the implicit rate was available and used in the calculation of ROU assets and liabilities under finance leases.

Total ROU assets and lease liabilities were as follows:

| | Balance Sheet Classification | As of December 31, 2019 |
|---|---|---|
| **Leased assets** | | |
| Operating ROU assets at cost | Operating lease right-of-use assets | **$21,906** |
| Accumulated amortization | Operating lease right-of-use assets | **(3,385)** |
| **Net book value** | | **$18,521** |
| Finance lease assets at cost | Property and equipment, net | **$ 1,060** |
| Accumulated amortization | Property and equipment, net | **(375)** |
| **Net book value** | | **$ 685** |
| **Lease liabilities** | | |
| Current: | | |
| Operating leases | Current portion of lease liabilities | **$ 3,181** |
| Finance leases | Current portion of long-term debt | **431** |
| Noncurrent: | | |
| Operating leases | Long-term lease liabilities | **15,786** |
| Finance leases | Long-term debt | **368** |
| **Total lease liabilities** | | **$19,766** |

Total lease income and costs were as follows:

| | Classification | For the year ended December 31, 2019 |
|---|---|---|
| Operating lease costs | Selling, general and administrative | $4,580 |
| Finance lease costs: | | |
| Amortization of lease assets | Selling, general and administrative | 239 |
| Interest on lease liabilities | Interest expense | 46 |
| Gain on lease termination | Impairment, restructuring, and other | (160) |
| Sublease income | Selling, general and administrative | (369) |

Other costs associated with operating leases were $1,276 for short-term and month-to-month leases, $1,061 for non-lease components such as common area maintenance, and $435 for other miscellaneous items in 2019. These costs are included in selling, general and administrative expenses in the consolidated statements of operations.

(in thousands, except share amounts)

The aggregate future minimum lease payments under long-term noncancelable operating and finance leases with remaining terms greater than one year as of December 31, 2019 are as follows:

| Year ending December 31, | Operating | Finance |
|---|---|---|
| 2020 | $ 3,950 | $484 |
| 2021 | 3,855 | 286 |
| 2022 | 3,364 | 117 |
| 2023 | 1,804 | 7 |
| 2024 | 1,397 | — |
| Thereafter | 8,158 | — |
| **Total rental payments** | 22,528 | 894 |
| Less portion representing interest | 3,561 | 95 |
| Total principal | 18,967 | 799 |
| **Less current portion** | 3,181 | 431 |
| **Long-term portion** | $15,786 | $368 |

Sub-lease income of $180, $180, and $30 is due for the years ending December 31, 2020, 2021 and 2022, respectively.

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate on long-term leases as of December 31, 2019:

| | |
|---|---|
| **Weighted-average remaining lease term in years:** | |
| Operating leases | 7.5 |
| Finance leases | 2.4 |
| **Weighted-average discount rate:** | |
| Operating leases (for leases expiring after 2019) | 4.50% |
| Finance leases | 7.17% |
| **ROU assets and lease obligations recognized upon adoption of ASC 842 on January 1, 2019:** | |
| ROU assets | $ 24,872 |
| Operating lease obligations | (25,135) |
| **Adjustments from early termination of ROU assets net of lease extensions:** | |
| ROU assets surrendered | $ (2,698) |
| Lease obligation cancelled | 2,858 |
| **Gain on early termination of lease obligation** | $ 160 |
| **Property and equipment acquired under finance lease obligation** | $ 251 |

(in thousands, except share amounts)

The Company performed its periodic impairment test for each asset group and determined that estimated future undiscounted cash flows exceeded the carrying value of the ROU assets.

| | |
|---|---|
| **Cash paid for amounts included in lease liabilities in 2019:** | |
| Operating cash flows from operating leases | **$(4,225)** |
| Operating cash flows from finance leases | **(43)** |
| Financing cash flows from finance leases | **(177)** |

*Disclosure for leases for 2018 under ASC 840*

Capital lease assets in 2018 related primarily to machinery and equipment and were recorded at the lower of the present value of future minimum lease payments or fair market value at lease inception. Capital lease assets are amortized over the shorter of their estimated useful lives or the respective terms of the leases. When determining the lease term, option periods for which failure to renew the lease imposes a significant economic detriment are included. Amortization of capital lease assets totaled $163 in 2018 and is included in selling, general and administrative expenses.

As of December 31, 2018, capital lease obligation totaled $861 and effective interest rates ranged from 5.65% to 8.95%.

Rent expense related to certain warehouse, distribution and office facilities, vehicles and office equipment under leases with terms greater than one year was $6,509 in 2018. Other costs of $1,169 were associated with month-to-month leases. These costs are included in selling, general and administrative expenses in the consolidated statement of operations. Amounts payable under the operating leases as of December 31, 2018 were $4,187, $3,644, $3,763, $3,034, and $2,189 for each of the five years ending December 31, 2023. Payments in the aggregate due after 2023 are $9,555.

## 9. PROPERTY AND EQUIPMENT

Property and equipment comprised the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Machinery and equipment | **$ 3,200** | **$ 2,870** |
| Leasehold improvements | **2,721** | **2,485** |
| Other | **2,197** | **2,311** |
| **Gross property and equipment** | **8,118** | **7,666** |
| Less: accumulated depreciation and amortization | **(4,568)** | **(3,176)** |
| **Total property and equipment, net** | **$ 3,550** | **$ 4,490** |

Depreciation and amortization expense related to property and equipment, was $1,688 and $2,391 in 2019 and 2018, respectively. The Company performed its periodic impairment test for each asset group and determined that no impairment was required to be recorded in 2019 and 2018.

(in thousands, except share amounts)

## 10. INTANGIBLE ASSETS AND GOODWILL

***Intangible assets***

Intangible assets comprised the following:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Finite-lived intangible assets: | | | | | | |
| Computer software | $ 7,701 | $ (4,136) | $ 3,565 | $ 7,585 | $(2,524) | $ 5,061 |
| Customer relationship | 59,375 | (8,712) | 50,663 | 64,812 | (5,640) | 59,172 |
| Other | 1,133 | (756) | 377 | 1,675 | (431) | 1,244 |
| Total finite-lived intangible assets, net | 68,209 | (13,604) | 54,605 | 74,072 | (8,595) | 65,477 |
| Indefinite-lived intangible asset: | | | | | | |
| Trade names | 2,801 | — | 2,801 | 2,892 | — | 2,892 |
| **Total Intangible assets, net** | $71,010 | $(13,604) | $57,406 | $76,964 | $(8,595) | $68,369 |

For intangible assets subject to amortization, the weighted average amortization periods as of December 31, 2019 for computer software, customer relationships, intellectual property and trade names were 5.0 years, 18.0 years, 3.0 years and 3.0 years, respectively. The weighted average amortization period for all intangible assets subject to amortization is 16.3 years.

Amortization expense was $5,307 and $5,869 in 2019 and 2018, respectively. Estimated aggregate amortization expense for each of the five years ending December 31, 2020 through 2024 and thereafter is $5,204, $4,826, $3,299, $3,299, $3,299 and $34,678, respectively.

***Intangible assets impairment***

The Company has one type of indefinite-lived intangible asset, trade names. If the fair value of the trade names is lower than the carrying amount, an impairment charge is recognized in an amount equal to the difference. In 2019, the Company performed its annual Step 0 Test and the assessment of the qualitative factors indicated that it was more likely than not that the fair value of the trade name exceeded its carrying amount. In 2018, the Company estimated the fair value of the indefinite-lived trade names using the relief-from-royalty method and determined that the fair value of trade names exceeded the carrying value. Accordingly, no impairment was recognized in 2019 or 2018.

During 2019 and 2018, for all amortizable intangible assets, except for the customer relationships, the Company did not identify any events or changes in circumstances that would indicate that the carrying amount of the Company's amortizable intangible assets may not be fully recoverable, therefore, there was no impairment of these intangible assets recognized in 2019 and 2018.

For the customer relationships, the undiscounted cash flows over the useful life of customer relationships were estimated primarily based on management's assumptions and estimates related to revenue, compound annual growth rates and direct operating expenses. The Company used internal financial forecast models that included historical information and projected growth rates based on various assumption such as consumer health trends, potential medical benefits, regulatory challenges, and overall market developments. Revenue was adjusted annually for estimated customer attrition. For the US customer relationships in 2019 and 2018,

and for the Canadian customer relationships in 2018, the sum of the future estimated undiscounted cash flows exceeded the carrying values, and accordingly, there was no impairment recognized.

For Canadian customer relationships in 2019, the sum of the estimated future undiscounted cash flows was insufficient to recover the asset carrying value. The Company then performed Step 2, a computation of fair value, which estimated revenues and direct expenses adjusted for organic growth, customer attrition and capital expenditures for the remaining life of customer relationships; a revisionary value was added to the cash flows. The projected future cash flows were then discounted to fair value which indicated little or no value associated with the intangible asset. Accordingly, the carrying value of the customer relationships totaling $5,390 was impaired and the charge was included in impairment, restructuring and other in the consolidated statements of operations.

***Goodwill***

Goodwill arose from the Formation Transaction and the acquisition of certain businesses in Canada during the year ended December 31, 2017. There were no additions to or disposals of goodwill in 2019 or 2018, and no impairment of goodwill in 2019. Goodwill was fully impaired as of December 31, 2018. Goodwill for the United States reporting unit had a gross value and corresponding accumulated impairment losses of $32,204 for a net book value of zero, and goodwill for the Canada reporting unit had a gross value and corresponding accumulated impairment losses totaling $3,244 for a net book value of zero as of both December 31, 2019 and 2018.

In the fourth quarter of 2018, the Company performed Step 1 of the goodwill impairment test to determine if the fair value of the goodwill of the Canadian reporting unit was greater than the carrying amount. The fair value of invested capital for the Canadian reporting unit was determined using the income approach and included a comparison to the value using a market approach for reasonableness. Internal forecasts were used to estimate future cash flows, which included assumptions for forecasted revenue growth rates, margin estimates, various expenses, capital additions and working capital needs, which were consistent with internal projections and operating plans. A terminal value was included in the forecast based on capitalization multiple. The cash flows were discounted using a weighted average cost of capital ("WACC") of 19.3%. The capitalization multiple and WACC were based in part on rates derived from an analysis of guideline companies, and generally considered commensurate with the risks and uncertainty inherent in the respective businesses and internally developed forecasts. As a result of the completion of Step 1, it was determined that the carrying amount exceeded the fair value of invested capital. Accordingly, the Company proceeded to Step 2 to measure impairment charges.

In Step 2, the fair value of the reporting unit's "implied goodwill," was determined by allocating the reporting unit's fair value derived in Step 1 to all of the reporting unit's assets and liabilities other than goodwill and comparing the result to the carrying amount of goodwill. After determining the fair value of the Canadian reporting unit and considering the fair values of other assets contained therein, the Company concluded that there was no value remaining in the implied fair value of goodwill. Accordingly, goodwill allocated to the Canadian reporting unit was deemed to be fully impaired, and the Company recognized an impairment charge of $3,244 in 2018, which is included in impairment, restructuring and other in the consolidated statements of operations.

Additionally, in 2018, the Company recorded a decrease in deferred tax liabilities and a decrease in the goodwill impairment related to the United States reporting unit of $528. See Note 2, *Adjustments to Prior Period Financial Statements* for further discussion.

The above resulted in a net impairment loss of $2,716 in 2018.

(in thousands, except share amounts)

## 11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprised the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Accrued compensation and benefits | $1,857 | $1,407 |
| Costs related to issuance of Series A Convertible Preferred Stock | 1,239 | — |
| Goods in transit accrual | 1,005 | 1,775 |
| Obligations due under a distribution agreement | 1,154 | — |
| Other accrued liabilities | 3,933 | 3,522 |
| **Total accrued expenses and other current liabilities** | $9,188 | $6,704 |

The obligation for payment of contingent consideration was recognized as part of an acquisition in 2017 with an original fair value of $1,538 valued using Level 3 inputs. If certain financial targets were met in 2018 and 2019, the contingent consideration was to be paid out in equal installments at the end of each year. As the performance thresholds were not met in 2018 and not expected to be met in 2019, the fair value of the contingent consideration payable of $1,538 as of December 31, 2017 was deemed to be $0 as of December 31, 2018, and written off to other income, net in the consolidated statements of operations.

## 12. DEBT

Debt is comprised of the following:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Outstanding Principal | Unamortized Discount and Deferred Financing Costs | Net Carrying Amount | Outstanding Principal | Unamortized Discount and Deferred Financing Costs | Net Carrying Amount |
| Term loan | $ 85,111 | $(1,513) | $ 83,598 | $ 80,390 | $(1,173) | $ 79,217 |
| Line of credit | 23,864 | (792) | 23,072 | 20,742 | (470) | 20,272 |
| Other | 1,262 | — | 1,262 | 1,031 | — | 1,031 |
| **Total debt** | 110,237 | (2,305) | 107,932 | 102,163 | (1,643) | 100,520 |
| Current portion | 34,827 | — | 34,827 | 20,420 | (324) | 20,096 |
| Long term | 75,410 | (2,305) | 73,105 | 81,743 | (1,319) | 80,424 |
| **Total debt** | $110,237 | $(2,305) | $107,932 | $102,163 | $(1,643) | $100,520 |

***Term Loan with Brightwood***

*Overview*

As discussed in Note 1, *Description of the Business, Formation Transaction on May 12, 2017*, the Term Loan in the aggregate principal amount of $75,000 was obtained by Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "Term Loan Obligors") from Brightwood Loan Services LLC, as administrative agent ("Brightwood"), and the lenders party thereto (the "Term Loan Lenders") on May 12, 2017 (the "Term Loan Credit Agreement"). Hydrofarm Holdings LLC is a shell entity and a subsidiary of Hydrofarm Holdings Group, Inc. Hydrofarm Holdings LLC's subsidiary is Hydrofarm, LLC, the primary operating entity of the Company.

The Term Loan matures on May 12, 2022, and initially provided for interest at LIBOR plus a margin of 700 basis points on LIBOR based loans, which included an additional 200 basis points for any period during which the loan was in default. Principal payments at an annual basis of 2.5% of the original loan amount, initially $469, were to be made quarterly, commencing September 30, 2017. Deferred financing costs totaled $1,667 and are being amortized to interest expense over the term of the loan using the effective interest method. The Term Loan is secured by substantially all non-working capital assets and a second lien on working capital assets of the Term Loan Obligors.

*Activity in 2018*

For the quarters ended March 31, 2018 and June 30, 2018, the Term Loan Obligors failed to meet financial covenants. The Term Loan Obligors, Brightwood and Term Loan Lenders then entered into a certain Forbearance Agreement and Amendment to Credit Agreement on May 18, 2018, which was subsequently amended on July 16, 2018 (as amended, the "Brightwood Forbearance Agreement"). The Brightwood Forbearance Agreement temporarily deferred principal amortization and interest payments from May 2018 through July 2018 (the "Brightwood Forbearance Period") and added a minimum earnings before income taxes, depreciation and amortization ("EBITDA") requirement test, as defined, in exchange for Brightwood agreeing to forbear from exercising its rights and remedies under the Term Loan Credit Agreement during the Brightwood Forbearance Period.

On August 24, 2018, the Term Loan Obligors, Brightwood and Term Loan Lenders entered into a certain (i) Waiver and Amendment No. 3 to Credit Agreement (the "Brightwood Third Amendment") and (ii) Waiver and Third Amendment to Amended and Restated Loan and Security Agreement (the "BofA Third Amendment"), whereby Brightwood (and Bank of America) waived certain continuing events of default and agreed to amend certain covenants and provisions of the Term Loan Credit Agreement to bring the Term Loan Obligors back in compliance with the covenants. The Brightwood Third Amendment also provided a waiver of principal payments and an increase in the margin to 1000 basis points with respect to the LIBOR based loans through December 31, 2019; quarterly payments of principal would restart on January 1, 2020 or later when certain conditions are met. Beginning January 1, 2020, the margin was reduced to 700 basis points with respect to LIBOR based loans provided the net leverage ratio was met. In the case that the net leverage ratio is not met, the margin would be increased to 850 basis points. The Brightwood Third Amendment modified the total net leverage ratio, and added covenants related to fixed charge coverage, cumulative EBITDA and liquidity. Fees related to the amendments totaling $388 were added to the principal of the Term Loan.

In order to comply with the financial covenant provisions as of November 30, 2018, the Term Loan Obligors (and BofA Obligors) issued a cure notice and made a debt service payment of $1,151 with proceeds from an equity contribution to Hydrofarm Holdings LLC from its ultimate parent, Hydrofarm Holdings Group, Inc., in January 2019 to the BofA Credit Facility (as defined below), thus bringing the Term Loan Obligors (and BofA Obligors) back into compliance with the amended covenants provided for under the Brightwood Third Amendment (and BofA Third Amendment) as of December 31, 2018.

The first, second and third amendments were accounted for as debt modifications, and did not result in the recognition of any gain or loss due to any revisions. In 2018, principal payments totaled $469 and interest expense recognized totaled $9,191 of which $6,795 was added to the principal of the Term Loan. The stated interest rate on the Term Loan was 12.47% as of December 31, 2018, while the effective interest rate on the Term Loan was 12.13% in 2018. Amortization of deferred financing costs was $493 in 2018.

*Activity in 2019*

On March 15, 2019, the Term Loan (and the BofA Credit Facility) was amended by that certain Amendment No. 4 (the "Brightwood Fourth Amendment"). The Brightwood Fourth Amendment required

that the Term Loan Obligors make a $3,000 principal prepayment on the Term Loan. Certain key financial provisions in the Brightwood Fourth Amendment included modification of the EBITDA financial covenant and a provision that required the Term Loan Obligors to refinance the BofA Credit Facility prior to its repayment and termination with another credit facility. A fee of $407 was charged for these amendments which was added to the principal of the Term Loan and was capitalized as an additional deferred financing cost.

The modification on March 15, 2019 included a side letter (the "Brightwood Side Letter"), which gave Brightwood the option to require an intermediate parent to the Term Loan Obligors to enter into a guaranty and security agreement regarding the Term Loan upon a future acquisition by the Company; it limited any dividends from the Term Loan Obligors to their parent; and it provided that a portion of any proceeds from a sale of equity interests be used to pay down the Term Loan.

On July 11, 2019, the Term Loan Credit Agreement was amended by that certain Amendment No. 5 to Credit Agreement (the "Brightwood Fifth Amendment"). This amendment was executed in conjunction with the asset-backed lending credit facility obtained from Encina that replaced the BofA Credit Facility. The primary revisions made in the Brightwood Fifth Amendment were to reflect the replacement of BofA Credit Facility with the Encina Credit Facility, modification of the definition of consolidated EBITDA and adjustment of several financial covenants primarily related to liquidity and equity cure contributions (under the equity cure contribution provisions, the parent is allowed to make a cash contribution to the Term Loan Obligors to cure an event of default as more fully described in the agreement).

On October 15, 2019, the Term Loan Credit Agreement was amended by that certain Amendment No. 6 to Credit Agreement (the "Brightwood Sixth Amendment"). The primary revisions were changes to the period to which the debt covenants apply (referred to as "test period") from July 1, 2018 to begin on January 1, 2020; the monthly amounts in which minimum cumulative EBITDA needed to exceed were modified; and, the liquidity calculation was modified. Fees charged for the amendment and capitalized as additional deferred financing costs totaled $415 with 50% paid on the date of the Brightwood Sixth Amendment and 50% added to principal of the Term Loan.

The Brightwood Sixth Amendment was accompanied by that certain Amendment to Side Letter Agreement dated October 15, 2019 ("Brightwood Side Letter Amendment"), which amended the Brightwood Side Letter and provided that the Company would consummate an issuance and sale of convertible preferred equity interest or other equity securities as agreed between the parties and a portion of the proceeds, based on a formula which differs depending on the amount raised, would be applied to pay down the Term Loan. As discussed in Note 13, *Convertible Preferred Stock and Stockholders' Equity*, as part of the issuance of the Series A Convertible Preferred Stock, $8,370 of the proceeds was committed to pay down the Term Loan as documented in that certain Amendment to Side Letter Agreement dated January 16, 2020. As of December 31, 2019, cash of $8,370 is presented as a component of restricted cash on the consolidated balance sheet and an equal amount of the Term Loan is included in current portion of long-term debt. The payment was made in January 2020.

As described above, the Brightwood Third Amendment provided that quarterly principal payments would restart on January 1, 2020 or later when certain conditions are met.

The Brightwood Fourth Amendment, Brightwood Fifth Amendment, Brightwood Sixth Amendment, Brightwood Side Letter, and the Amendment to the Side Letter were each accounted for as debt modifications which did not result in the recognition of any gain or loss from the transactions. In 2019, principal payments totaled $3,000 and interest expense recognized totaled $10,151 of which $7,106 was added to the principal of the Term Loan. The stated interest rate on the term loan was 11.80% as of December 31, 2019, while the effective interest rate on the Term Loan was 13.02% as of December 31, 2019 and the amortization of deferred financing costs was $483 in 2019. The Term Loan Obligors were in compliance with all debt covenants as of December 31, 2019.

***Revolving asset-backed credit facilities***

*Origination of credit facility at time of Formation Transaction*

In connection with the Formation Transaction, the BofA Credit Facility was obtained by Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "BofA Obligors") from Bank of America and the lenders' party thereto. The BofA Credit Facility had an original maturity date of February 10, 2022 and provided for interest at the 30-day LIBOR rate plus applicable margin. A fee of 0.375% was charged for available but unused borrowings. An additional 200 basis points was added to the interest rate for any period during which the loan was in default. As of December 31, 2018, deferred financing costs totaled $621 and were being amortized over five years using the effective interest method.

The BofA Credit Facility was secured by working capital assets and a second lien on non-working capital assets and required various restrictive covenants and financial ratios. Additionally, the agreement required that the BofA Obligors be in compliance with the financial and qualitative covenants of all other debt agreements.

*Activity in 2018*

For the periods ended March 31, and June 30, 2018, the BofA Obligors failed to meet financial covenants. The BofA Obligors then entered into a certain Forbearance Agreement with BofA on May 18, 2018 (as amended, the "BofA Forbearance Agreement"). As part of the BofA Forbearance Agreement, a stockholder agreed to provide Hydrofarm Holdings LLC with an unsecured subordinated loan of $4,000 for a period and at terms specified in the BofA Forbearance Agreement to provide for working capital needs of the BofA Obligors. The BofA Forbearance Agreement included modifications to the borrowing base and to the fixed charge coverage and EBITDA financial covenants. In exchange for the revised terms, BofA agreed to forbear from exercising its rights and remedies under the BofA Credit Facility in connection with such defaults through August 2018. These arrangements were documented in that certain First Amendment to Amended and Restated Loan and Security Agreement dated as of May 18, 2018 (the "BofA First Amendment") and First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement dated as of July 16, 2018 (the "BofA Second Amendment").

On August 24, 2018, the BofA Obligors entered into that certain Waiver and Third Amendment to Amended and Restated Loan and Security Agreement (the "BofA Third Amendment") whereby BofA (and Brightwood as discussed above) waived certain continuing events of default and agreed to amend certain covenants and provisions of the Term Loan Credit Agreement to bring the BofA Obligors back in compliance with the covenants under the BofA Credit Facility. A key financial provision in the BofA Third Amendment was a commitment by the Company to conduct a private placement of its common stock; this commitment was fulfilled upon the Offering and Concurrent Offering described in Note 1, *Description of Business, Recapitalization and reverse merger,* which raised $48,124 of net proceeds. Other key changes in the BofA Third Amendment included the addition of a minimum availability covenant which requires the BofA Loan Obligors to have cash and cash equivalents deposited in BofA and a minimum EBITDA requirement, which requires that the BofA Loan Obligors maintain minimum monthly measured EBITDA for periods as defined.

The BofA First Amendment, BofA Second Amendment and BofA Third Amendment were each accounted for as debt modifications, which did not result in the recognition of any gain or loss due to any revisions. Interest, due monthly, is charged at LIBOR or a base rate, plus an applicable margin ranging between 1.25% and 2.5%. The effective interest rates on the BofA Credit Facility ranged from 5.00% to 5.06% in 2018 and the amortization of deferred financing costs was $150 in 2018.

*Activity in 2019*

From January 1, 2019 through June 10,2019, the BofA Credit Facility was modified a fourth, fifth, sixth and seventh time all in connection with extensions of the due date and eventual payoff. Each amendment was

accounted for as a debt modification. The effective interest rate on the BofA Credit Facility was 9.19% and the amortization of deferred financing costs was $79 in 2019. In 2019, $1,443 of interest and fees were added to principal.

On July 11, 2019, Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "Encina Obligors") replaced the BofA Credit Facility with the Encina Credit Facility through a certain Loan and Security Agreement, whereby the Encina Obligors obtained a revolving asset-based loan commitment in the maximum amount of $45,000 (inclusive of a limit of up to $15,000 of borrowings for the Canadian borrowers and a swingline facility of up to $2,000), subject to applicable borrowing base availability. The amount of the Encina Credit Facility is limited to the borrowing base (primarily calculated based on eligible accounts receivable and inventory) subject to certain reserves and limitations. The Encina Credit Facility is due on the earlier of July 11, 2022 or 90 days prior to the scheduled maturity date of the Term Loan.

The Company capitalized $941 of deferred financing costs related to the Encina Credit Facility, which are being amortized using the straight-line method over the life of the Encina Credit Facility. Additionally, the unamortized deferred financing costs related to the BofA Credit Facility totaling $391 were written off and recognized as a loss on debt extinguishment in the consolidated statements of operations in 2019.

Interest, due monthly, is charged at LIBOR or a base rate, plus an applicable margin ranging between 3.75% to 5.50% per annum determined based on the fixed charge coverage ratio calculated over an applicable time period. A fee of 0.50% per annum is charged for available but unused borrowings as defined. An additional 200 basis points is added to the interest rate for any period during which the loan is in default.

Interest, fees and other monetary obligations owing under the Encina Credit Facility may, in the lender's discretion, be added to principal. In 2019, $1,095 of interest and fees were added to principal.

The Encina Credit Facility is secured by working capital assets and a second lien on non-working capital assets and requires various restrictive covenants and financial ratios. It also provides for protective advances, overdrafts, early payment/termination premium, events of default and remedies available, limitations on new indebtedness and on dividends to the parent, negative covenants, representations, warranties, limitation of liabilities and indemnities. Additionally, the agreement requires the Encina Obligors to be in compliance with the financial and qualitative covenants of all other existing debt.

The Encina Credit Facility provides for several financial covenants, including a minimum excess availability unless the fixed charge coverage ratio is greater than a specified benchmark, as defined, and limits on capital expenditures.

On October 15, 2019, the Encina Credit Facility was amended pursuant to a certain First Amendment to Loan and Security Agreement (the "Encina First Amendment") concurrently with the Brightwood Side Letter Amendment discussed above, whereby Encina agreed to accept the changes in the Brightwood Side Letter Amendment since any changes to the Brightwood Side Letter needed concurrence from Encina.

On November 26, 2019, the Encina Credit Facility was further amended pursuant to a certain Second Amendment to Loan and Security Agreement (the "Encina Second Amendment") whereby the amendment changed the computation of the line limitation but did not change the maximum amount of the credit facility of $45,000. The other change was a requirement that Hydrofarm Holdings Group Inc., the ultimate parent of the Encina Obligors, make a capital infusion to the Encina Obligors of $3,000 for working capital.

The Encina First Amendment and Encina Second Amendment were accounted for as debt modifications which did not result in the recognition of any gain or loss due to any revisions. The stated interest rate was 7.19% on December 31, 2019, while the effective interest rate in 2019 was 9.76%. In 2019, $1,119 of interest expense was recognized, of which $149 was related to the amortization of deferred financing costs. The Encina Obligors had $2,275 available to borrow under the Encina Credit Facility and were in compliance with all debt covenants as of December 31, 2019.

(in thousands, except share amounts)

***Debt convertible into preferred stock***

In September and October 2019, the Company issued debt to investors convertible into preferred stock for cash of $7,532, less issuance costs of $552, in the form of unsecured subordinated promissory notes with interest at 6.0% per annum due on March 30, 2020.

The notes contained an automatic conversion feature triggered by a qualified financing as defined (e.g. private placement or initial public offering) of preferred stock of $5,000 or more. The number of shares into which the notes converted was to be based on a formula which divided outstanding principal and accrued interest by the per share price of the offering. The conditional share-settled conversion feature was deemed to be an embedded derivative that did not meet the criteria to be bifurcated and carried at fair value; accordingly, all of the proceeds net of the issuance costs were allocated to the debt instrument.

In December 2019, the Company completed an offering of convertible preferred stock which triggered conversion of $7,532 of principal plus $105 of accrued interest into 2,182,083 shares of the convertible preferred stock (see Note 13, *Convertible Preferred Stock and Stockholders' Equity*, for discussion of the terms of the convertible preferred stock). The unamortized deferred financing costs at the time of conversion of $288 were written-off and are included in loss on debt extinguishment in the consolidated statements of operations in 2019.

***Aggregate future principal payments***

As of December 31, 2019, the aggregate future principal payments under long-term debt, excluding payments due under finance lease obligations presented in Note 8, *Leases* are as follows:

| Year ending December 31, | |
|---|---|
| 2020 | **$ 34,396** |
| 2021 | **1,819** |
| 2022 | **73,192** |
| 2023 | **31** |
| **Total debt** | **$109,438** |

Reconciliation of payments due:

| | Finance lease obligations | Debt excluding finance leases | Total |
|---|---|---|---|
| Current portion | $431 | $ 34,396 | **$ 34,827** |
| Long-term | 368 | 75,042 | **75,410** |
| **Total payments due** | **$799** | **$ 109,438** | **$110,237** |

**Hydrofarm Holdings Group, Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2019 and 2018**
**(in thousands, except share amounts)**

## 13. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

***Capital stock***

As of December 31, 2019, the following summarizes shares authorized, issued and outstanding, and reserved for issuance:

| | Shares authorized | Shares issued and outstanding, or reserved for issuance |
|---|---|---|
| **Convertible preferred stock at $0.0001 par value per share** | 50,000,000 | 7,007,429 |
| **Common stock at $0.0001 par value per share** | 300,000,000 | 69,745,562 |
| **Common stock reserved for issuance:** | | |
| Convertible preferred stock | | 7,007,429 |
| Warrants | | 13,100,069 |
| Stock options | | 2,764,240 |
| Restricted stock units | | 6,137,610 |

***Convertible preferred stock classified outside of permanent equity***

In December 2019, the Company issued 7,007,429 shares of Series A convertible preferred stock with a par value of $24,526 in return for cash of $15,439, conversion of debt with a basis of $7,637, and $1,450 in receivables that were settled in January 2020. Offering costs totaled $1,274, of which $1,239 was included in accrued expense and other current liabilities in the consolidated balance sheet as of December 31, 2019.

A summary of key terms are as follows:

- **Initial purchase price**: $3.50
- **Ranking:** Senior to all classes of common and preferred stock
- **Use of Proceeds**: Approximately $8,370 to pay down Term Loan (see Note 12, *Debt*, for discussion of the Brightwood Amendment to Side Letter Agreement dated January 16, 2020), growth investments and general corporate purposes
- **Preferred dividend**: 10% dividend yield, cumulative, payable in cash or PIK (Series A Convertible Preferred Stock) at the issuer's discretion; the rate increases to 11% after the 9-month anniversary and 12% after the 18-month anniversary
- **Liquidation preference**: 1x liquidation preference upon liquidation or wind up; a majority of the Preferred Shareholders can vote to liquidate the Company
- **Conversion rights**: At any time, the holders of the Preferred Stock can convert their shares 1:1 into to common stock subject to typical anti-dilution provisions.
- **Voting rights**: The Preferred Shareholders vote together with the holders of common stock on an as-converted basis.
- **Liquidity rights**: Following the 18-month anniversary of the closing date, if an IPO has not occurred, the Preferred Stock investors can cause the Company to undertake one of the following actions (selection of the specific action is at the Company's discretion):
  - Redeem the securities

  - Initiate a sale of the Company
  - Initiate an IPO process

- **Mandatory Conversion upon a Qualified IPO**: Upon an IPO of at least $75,000, each share of Preferred Stock automatically converts into common stock at the lesser of (x) the then Series A Conversion Price, or (y) the then effective Discounted Qualified IPO price. The Discounted Qualified IPO price is the amount calculated by multiplying the price at which the shares of common stock were issued in the IPO by 0.8 (the Multiplier), provided that commending 270 days after the issuance of the Preferred Stock, the Multiplier shall be decreased to 0.79 and shall be decreased by an additional 0.01 every thirty days thereafter, provided that the Multiplier shall not decrease below 0.75.
- **Other terms**: Customary rights consistent with offerings of this type, including protective provisions, registration rights, reporting/information rights, right of first refusal/co-sale rights, pre-emptive rights, lock up restrictions, and transfer restrictions

The Series A Convertible Preferred Stock contains a redemption feature not solely within the control of the Company's common shareholders and is, therefore, classified outside of permanent equity. None of the embedded features required bifurcation from the host instrument.

***Common stock***

Each holder of common stock is entitled to one vote for each share of common stock. Common stockholders have no pre-emptive rights to acquire additional share of common stock or other securities. The common stock is not subject to redemption rights and carries no subscription or conversion rights. In the event of liquidation, the stockholders are entitled to share in corporate assets on a pro rata basis after the Company satisfies all liabilities and after provision is made for any class of capital stock having preference over the common stock. Subject to corporate regulations and preferences to preferred stock if any, dividends are at the discretion of the board of directors.

***Warrants***

Shares of common stock under warrants totaling 11,357,114 and 1,742,955 were issued to investors and placement agents, respectively, in the Offering and Concurrent Offering for aggregate shares under warrants of 13,100,069.

Warrants issued to the investors for the purchase of 11,357,114 shares of the Company's common stock are exercisable at $5.00 per share in whole or in part subject to typical adjustments for anti-dilution and may be exercised on a "cashless" basis. The warrants are exercisable commencing the earliest of a public event defined as the effectiveness of a registration statement as defined, the closing of any initial public offering, or the closing of any other transaction or set of events that results in the Company being subject to the reporting requirement of the Securities Exchange Act of 1934, as amended. The warrants expire three years from the effective date of a public event. The warrants are callable by the Company solely at its discretion if certain conditions are met.

The warrants issued to the investors were accounted for as a component of equity primarily because there were no conditional obligations to issue a variable number of shares nor were there any deemed possibilities that the Company would need to settle the warrants in cash. Accordingly, the value of each warrant issued with each share in the Offering and Concurrent Offering was not accounted for separately.

Of the total shares subject to the placement agent warrants, 580,978 are exercisable at a price of $5.00 per share and 1,161,977 are exercisable at a price of $2.50 per share. Both types of warrants are exercisable in whole or in part subject to typical adjustments for anti-dilution and may be exercised on a "cashless" basis.

The placement agent warrants are exercisable upon exercise of the investor warrants issued in the Offering and Concurrent Offering.

The placement agent warrants were valued at $781 and recorded as an offering cost included as a component of equity (an increase for the value of the issuance, and a decrease associated with the offering cost); the valuation of the warrants is discussed in Note 17, *Financial Instruments*.

Refer to Note 1, *Description of the Business, Recapitalization and reverse merger in 2018* for further discussion of warrants.

***Restriction on the ability to pay dividends***

Under the agreements with Encina and Brightwood, substantially all consolidated net assets of the Brightwood Obligors or Encina Obligors are subject to limitations regarding the restriction of payment of dividends to any direct or indirect parent.

## 14. STOCK-BASED COMPENSATION AND 401K PLAN

***Stock-based Compensation Plan Overview***

The Company adopted the 2018 Equity Incentive Plan in August 2018 and the 2019 Employee, Director and Consultant Equity Incentive Plan in December 2019 (collectively, the "Incentive Plans") whereby certain employees may be granted options or stock appreciation rights for voting or nonvoting shares of the Company or other restricted stock awards of shares, restricted shares and other stock awards that are valued in whole or in part by reference to, or are otherwise based on, the fair market value per share of the Company's stock. Shares issued under the Incentive Plans are drawn from authorized and unissued shares or shares held or subsequently acquired by the Company as treasury shares. The Incentive Plans are administered by the Board of Directors which administration may be delegated to a committee consisting of one or more members of the Board (the "Plan Administrator"), subject to such limitations as the Board of Directors deems appropriate.

The Incentive Plans provide for the issuance of both non-statutory and incentive stock options and other awards to acquire up to 8,718,196 shares of common stock under the 2018 Equity Incentive Plan, and 3,487,278 shares of common stock under the 2019 Employee, Director and Consultant Equity Incentive Plan. Of the total shares available for grant under the stock compensation plans, 3,303,624 remain available as of December 31, 2019.

The Incentive Plans provide for granting of three types of awards described as follows:

- The Plan Administrator may grant options designated as incentive stock options or nonqualified stock options. Options shall be granted with an exercise price per share not less than 100% of the fair market value of the common stock on the grant date, subject to certain limitations and exceptions as described in the plan agreements. Generally, the maximum term of an option shall be ten years from the grant date. The Plan Administrator shall establish and set forth in each instrument that evidences an option the time at which, or the installments in which, the option shall vest and become exercisable.
- The Plan Administrator may grant stock awards, restricted stock and stock units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a related company or the achievement of any performance goals, as the Plan Administrator shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the award.
- Subject to the terms of the plans and such other terms and conditions as the Plan Administrator deems appropriate, the Plan Administrator may grant stock appreciation rights, performance awards, other stock or cash-based awards, as provided in the plans.

Certain shares, primarily those associated with restricted stock units, are subject to the Company's right of first refusal under which the Company or its assignee has an assignable right of first refusal to purchase the shares at their then fair value as more fully described in the terms and conditions set forth in the agreement. The right of first refusal terminates upon the initial registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act.

No awards were granted prior to 2019.

***Restricted stock units issued to executives subject to service and performance conditions***

On January 11, 2019, pursuant to an employment contract with the chief executive officer ("CEO"), 3,487,278 restricted stock units (the "RSUs") were granted with vesting commencing retroactive to January 1, 2019. On April 10, 2019, in connection with an employment contract with the president, 1,255,420 RSUs were granted with vesting commencing retroactive to March 4, 2019. On December 19, 2019, 1,394,912 RSUs were granted to the CEO with vesting commencing on the grant date. The RSUs expire after 10 years from the respective vesting commencement dates.

Each award has two vesting components, subject to certain change in control provisions, both of which must be achieved to vest in any portion of the award. No RSUs will be vested units (as defined in the RSU agreement) unless and until both the time-based vesting requirement (as defined below) and the performance-based vesting requirement (as defined below) are satisfied.

- Time-Based Vesting Requirement (based on continuous employment): One fourth of the award will vest one year following the vesting commencement date; then, one sixteenth of the award will vest at the end of every three-month period measured from the one-year anniversary of the vesting commencement date.
- Performance-Based Vesting Requirement: The RSUs will satisfy the performance-based vesting requirement only if (i) a liquidity event occurs on or prior to the expiration date and (ii) the employee does not experience a termination of service prior to the date of the liquidity event.

On the date the performance-based vesting requirement is satisfied, the employee will become vested in the number of RSUs that have satisfied the time-based vesting requirement, if any, and the RSU converts into one share of the Company's common stock. If the performance-based vesting requirement is not satisfied, all RSUs will expire regardless of satisfaction of the time-based vesting requirement on the earlier of (x) the date of termination of service and (y) the expiration date. "Liquidity event" means the earlier to occur of (a) a change of control (as defined in the Plan as in effect on the grant date) or (b) an IPO. IPO means the effective date of the registration statement filed with the U.S. Securities and Exchange Commission relating to the initial public offering of a class of the Company's equity securities.

Unvested RSUs are not considered outstanding common stock until the RSUs vest.

Since RSU awards represent equity awards of the Company, such awards are fair valued as of the grant date for the purposes of measurement and recognition under U.S. GAAP. To measure the value of the award, the initial grant-date fair value of shares of common stock underlying RSUs is determined. Such valuation is the responsibility of, and determined by, the Company's board of directors, with input from management. In 2019, there was no public market for the Company's common stock so the board of directors determined the fair value of common stock at the grant date by considering a number of objective and subjective factors including independent third-party valuations of the Company's common stock, operating and financial performance, the lack of liquidity of capital stock and general and industry specific economic outlook, among other factors. Based on the models, for the awards granted in January and April 2019, the fair value was determined to be $1.43 per common share underlying each RSU, and $1.80 for the award granted in December 2019, for an aggregate fair value of $9,293 for all outstanding RSUs granted during the year-ended December 31, 2019.

(in thousands, except share amounts)

The Company has determined that the ultimate vesting of RSUs granted to date is not probable as of December 31, 2019 and, accordingly, the Company has not recognized any expense related to these awards. The unamortized stock-based compensation expense of $9,293 as of December 31, 2019 will be recognized as expense if and when the Company determines that vesting is probable. At the time vesting becomes probable, a cumulative catch-up adjustment will be made to reflect the portion of the employee's requisite service that has been provided to the probable date (but no less that the actual amount vested under the agreement), with the balance amortized over the remaining requisite service period.

***Stock options***

In 2019, the Company granted options to employees to acquire 3,231,819 shares of common stock which vest under one of three schedules as follows:

1. 20% vest as of the date of grant, then 1/45$^{th}$ on the last day of the month for the following 36 months;
2. 25% vest on the first anniversary of the date of grant, then 1/48$^{th}$ on the last day of the month for the following 36 months;
3. All options vest upon grant.

Vesting is subject to certain change in control provisions as provided in the incentive plan agreements and options may be exercised up to 10 years from the date of issuance.

Since options represent equity awards of the Company, such awards are fair valued as of the grant date for the purposes of measurement and recognition under generally accepted accounting principles. To measure the fair value of an option, the Black-Scholes valuation model was utilized. The valuation model requires the input of highly subjective assumptions. Inputs to the model in 2019 were as follows:

| | |
|---|---|
| Volatility | 30% |
| Risk-free rate | 1.37% to 2.49% |
| Dividend yield | Nil |
| Expected term in years | 5.0 to 5.62 |

The fair value of common stock underlying the options was determined using the same methodology described above for RSUs which was $1.43 for the first nine months and $1.80 for the last quarter of 2019. The methodology used to determine the various assumptions above is described in Note 4, *Basis of Preparation and Significant Accounting Policies*.

The following table summarizes the stock option activity in 2019:

| | Number | Weighted average exercise price | Weighted average grant date fair value | Weighted average remaining contractual term |
|---|---|---|---|---|
| Granted | 3,231,819 | $2.50 | $0.21 | |
| Forfeited | (467,579) | $2.50 | $0.21 | |
| Exercised | — | — | | |
| Expired | — | — | | |
| **Outstanding at December 31, 2019** | 2,764,240 | $2.50 | $0.21 | 9.27 |
| **Exercisable at December 31, 2019** | 898,435 | $2.50 | $0.21 | 9.15 |
| **Unvested at December 31, 2019** | 1,865,805 | $2.50 | $0.22 | 9.33 |
| **Vested and expected to vest at December 31, 2019** | 2,764,240 | $2.50 | $0.21 | 9.27 |

(in thousands, except share amounts)

Total compensation expense for stock options in 2019 was $208 and is included in selling, general and administrative expenses in the consolidated statements of operations. No tax benefit related to the stock option expense was recognized as all the awards are classified as qualified incentives options.

As of December 31, 2019, total compensation cost related to unvested awards not yet recognized was $409 and the weighted-average period over which the compensation is expected to be recognized is 2.77 years.

***401K Plan***

The Company maintains a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code, which provides for voluntary contributions from the Company and its employees. Contributions from the Company were $190 and nil in 2019 and 2018, respectively.

## 15. INCOME TAXES

In December 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. The 2017 Tax Act also provided for prospective changes beginning in 2018 including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, global intangible low taxed income, foreign derived intangible income deduction, additional limitations on executive compensation and limitations on the deductibility of interest.

Loss from operations before tax was as follows for the years ended:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | | 2018 | | |
| | 2019 | As restated and reclassified | Adjustments | As previously reported |
| United States | **$(30,409)** | **$(31,493)** | $(1,268) | $(30,225) |
| Foreign | **(10,365)** | **(4,446)** | 528 | (4,974) |
| **Loss from continuing operations before tax** | **$(40,774)** | **$(35,939)** | **$ (740)** | **$(35,199)** |

Significant components of income tax (benefit) expense from continuing operations consist of the following:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | | 2018 | | |
| | 2019 | As restated and reclassified | Adjustments | As previously reported |
| **Current:** | | | | |
| Federal | **$ —** | **$ 216** | $ 216 | $ — |
| State | **18** | **79** | 18 | 61 |
| Foreign | **9** | **207** | (127) | 334 |
| Total current | **27** | **502** | 107 | 395 |
| **Deferred:** | | | | |
| Federal | **—** | **269** | 269 | — |
| State | — | — | — | — |
| Foreign | **(718)** | **(1,168)** | (875) | (293) |
| Total deferred tax benefit | **(718)** | **(899)** | (606) | (293) |
| **Total income tax (benefit) expense** | **$(691)** | **$ (397)** | **$(499)** | **$ 102** |

(in thousands, except share amounts)

The reconciliation of income tax computed at the U.S. federal statutory tax rates of 21% to income tax (benefit) expense from continuing operations consist of the following:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | | 2018 | | |
| | 2019 | As restated and reclassified | Adjustments | As previously reported |
| **Effective rate reconciliation** | | | | |
| U.S. federal tax benefit at statutory rate | **$(8,563)** | **$(7,547)** | $ (155) | $(7,392) |
| State income taxes, net | **(1,247)** | **(1,009)** | 466 | (1,475) |
| Permanent items | **89** | **1,692** | (153) | 1,845 |
| Foreign rate differential | **(891)** | **(590)** | (477) | (113) |
| Deferred adjustments | **563** | **—** | — | — |
| Tax entity classification adjustment | **—** | **(1,927)** | 342 | (2,269) |
| Non controlling interest | **—** | **433** | — | 433 |
| Valuation allowance | **9,358** | **6,370** | (2,663) | 9,033 |
| Other, net | **—** | **2,181** | 2,141 | 40 |
| **Total income tax (benefit) expense** | **$ (691)** | **$ (397)** | **$ (499)** | **$ 102** |

Deferred income tax assets and liabilities from continuing operations consist of the following as of:

| | As of December 31, | | | |
|---|---|---|---|---|
| | | 2018 | | |
| | 2019 | As restated and reclassified | Adjustments | As previously reported |
| **Deferred tax assets** | | | | |
| Lease liabilities | **$ 4,836** | **$ —** | $ — | $ — |
| Accrued expenses | **1,129** | **1,385** | 641 | 744 |
| Intangible assets | **10,602** | **11,139** | (4,195) | 15,334 |
| Net operating loss | **17,589** | **10,312** | 2,972 | 7,340 |
| Inventories | **3,022** | **3,434** | 3,248 | 186 |
| Interest expense | **3,746** | **989** | (2,118) | 3,107 |
| Other | **—** | **104** | 104 | — |
| **Deferred tax assets** | **40,924** | **27,363** | 652 | 26,711 |
| Valuation allowance | **(34,746)** | **(25,388)** | 190 | (25,578) |
| **Total deferred tax assets** | **6,178** | **1,975** | 842 | 1,133 |
| **Deferred tax liabilities** | | | | |
| Intangible assets, trade names | **—** | **(1,205)** | (34) | (1,171) |
| Property and equipment | **(1,054)** | **(1,118)** | (554) | (564) |
| Operating lease right-of-use assets | **(4,729)** | **—** | — | — |
| Other | **—** | **—** | 1,311 | (1,311) |
| **Total deferred tax liabilities** | **(5,783)** | **(2,323)** | 723 | (3,046) |
| **Net deferred tax assets (liabilities)** | **$ 395** | **$ (348)** | **$ 1,565** | **$ (1,913)** |

(in thousands, except share amounts)

Deferred income tax assets and liabilities are presented in the consolidated balance sheets by jurisdiction as follows:

| | As of December 31, | | | |
|---|---|---|---|---|
| | | 2018 | | |
| | 2019 | As restated and reclassified | Adjustments | As previously reported |
| Deferred income tax assets included in other current assets | $ — | $ — | $ (429) | $ 429 |
| Deferred income tax assets included in other long-term assets | 395 | 533 | 533 | — |
| Deferred income tax liabilities | — | (881) | 1,461 | (2,342) |
| **Net deferred tax assets (liabilities)** | $395 | $(348) | $1,565 | $(1,913) |

In 2019, the Company had federal and state net operating losses of approximately $58,000 and $44,000, respectively. The federal and state net operating losses, if not utilized, will begin to expire in 2037 and 2027, respectively. In 2019, the Company had foreign net operating losses of approximately $9,000. The foreign net operating losses, if not utilized, will begin to expire in 2037.

The Company determined the amount of its valuation allowance based on its estimates of taxable income by jurisdiction in which it operates over the periods in which the related deferred tax assets will be recoverable. As of December 31, 2019, the Company believes it is more-likely-than-not that it will not be able to realize its US deferred tax assets and therefore has maintained a full valuation allowance against its US deferred tax assets. The Company has also provided a full valuation allowance against the majority of its Canadian and Spanish deferred tax assets. The valuation allowance increased by $9,358 and $8,459 ($8,649 as previously reported) during 2019 and 2018, respectively.

Carryforwards of NOLs are subject to possible limitation should a change in ownership occur, as defined by Internal Revenue Code Section 382. An ownership change is generally defined as a greater than 50% increase in equity ownership by 5% shareholders in any three-year period. The annual limitation may result in the expiration of the NOL carry forwards before utilization.

In 2019 and 2018, the Company did not record any liabilities related to uncertain tax positions. The Company does not have any tax positions for which it is reasonably possible that the total amount of gross unrecognized tax benefits will significantly change within 12 months of December 31, 2019.

The Company recognizes interest and penalties relating to unrecognized tax benefits as part of its income tax expense. The Company's major filing jurisdictions are the United States and Canada. Due to the Company's net operating loss carryforwards, the Company's income tax returns remain subject to examination by federal, foreign and most state taxing authorities for all tax years.

## 16. COMMITMENTS AND CONTINGENCIES

***Purchase commitments***

From time to time in the normal course of business, the Company will enter into agreements with suppliers which provide favorable pricing in return for a commitment to purchase minimum amounts of inventory over a defined time period.

In October 2017, the Company entered into an agreement with a supplier to distribute and sell certain garden products for a term ending in December 2022. The Company committed to periodic minimum volumes over the term of the agreement in return for pricing that would provide the Company with a minimum gross margin along with the potential for rebates. Inventory purchased under this agreement totaled $3,641 and $2,644 in 2019 and 2018, respectively. Cost of goods sold in 2019 and 2018 include an additional $1,134 and

(in thousands, except share amounts)

$1,108 for payments expected to be made in 2020 and 2021 based on negotiations with the supplier that began in late 2019 associated with volumes purchased below minimum thresholds.

In June 2020, as part of the negotiations with the supplier that began in late 2019, the original distribution agreement was amended and restated with a term ending in December 2024. Significant changes to the agreement were a modification to the pricing program and a revision to the periodic minimum purchase volumes to be acquired on a take-or-pay bases, as defined. Minimum purchase requirements are $2,500, $3,000, $3,500, $4,000 and $4,500 for 2020, 2021, 2022, 2023 and 2024, respectively. The Company expects that these minimum purchase commitment obligations will be met.

***Contingencies***

In the normal course of business, certain claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims. Based on available information, management believes the claims are without merit and does not expect that the outcome, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations, cash flows or future earnings.

## 17. FAIR VALUE

***Assets and liabilities measured at fair value on a recurring basis***

The contingent consideration payable is the only financial asset or liability measured at fair value on a recurring basis. The following table provides a summary of the changes in its fair value using Level 3 inputs:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Balance at beginning of year | $ — | $ 1,538 |
| Change in contingent consideration payable | — | (1,538) |
| **Balance at end of year** | $ — | $ — |

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, accounts payable, accrued and other current liabilities and revolving asset-backed credit facility approximate their fair value due to their short-term maturities using level 2 inputs. The terms of the Term Loan are similar to those that would be available if the debt were refinanced at year-end, and accordingly its carrying value approximates its fair value using level 3 inputs.

***Assets and liabilities measured at fair value on a non-recurring basis***

The Company measures certain non-financial assets and liabilities, including long-lived assets, goodwill and intangible assets, at fair value on a nonrecurring basis. Fair value measurements of non-financial assets and non-financial liabilities are used primarily in the impairment analyses of long-lived assets, goodwill and intangible assets. These inputs are classified as Level 3 in the fair value hierarchy. See discussion of impairment losses in Note 10, *Intangible Assets and Goodwill*.

The warrants issued to the placement agents in 2018 discussed in Note 13, *Convertible Preferred Stock and Stockholders' Equity, Warrants*, were valued at $781 using the Black-Scholes valuation model at the dates of issuance with the following inputs: volatility of 65%, underlying stock price of $2.43, term of one year, strike price of $2.50 and $5.00, and risk-free rate of 2.4%. These inputs are classified as Level 3 in the fair value hierarchy.

(in thousands, except share amounts)

## 18. RELATED PARTY TRANSACTIONS

***Hydrofarm Headquarters***

The Company leases its headquarters and local distribution center in Petaluma, California from entities in which a related party is an investor. One lease is month to month and another lease terminated in June 2019. In 2019 and 2018, aggregate rent expense for these two leases totaled $1,445 and $1,787, respectively.

***Management Agreements***

In connection with the Formation Transaction, the Company entered into two management agreements with affiliates of certain of the Company's stockholders. Pursuant to the management agreements, the affiliates provided the Company with various management services including transaction advisory, financial and management consulting. The Company incurred aggregate management fees and reimbursable expenses of $213 in 2018. The management agreements were terminated in connection with the private placement discussed in Note 1, *Description of the Business*.

***Subordinated loans from related party***

On May 22, 2018, in connection with forbearance and amendments to the BofA Credit Facility and Term Loan agreements discussed in Note 12, *Debt*, the Company obtained a subordinated note of $4,000 from a stockholder of the Company to fund operations. Interest was at a rate of 8.24% per annum with no payment of interest and principal made in cash prior to the maturity date. On June 29, 2018, in connection with and under the same terms as the May 22, 2018 subordinated note, an additional amount of $2,000 was secured from the stockholder. As discussed in Note 1, *Description of the Business*, the $4,000 note plus accrued interest of $88 was converted into equity in exchange for shares and warrants. The $2,000 subordinated loan was repaid in August 2018.

## 19. IMPAIRMENT, RESTRUCTURING AND OTHER

Certain expenses were incurred in 2019 and 2018 primarily related to recognition of impairment on intangible assets as discussed in Note 10, *Intangible Assets and Goodwill*; several restructuring and recapitalization events discussed in Note 1, *Description of the Business*; fees for various statutory filings; severance costs for a reduction-in-force; and, costs to early terminate several leases.

These costs and expenses are summarized as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Impairment of intangible assets | $ 5,390 | $2,716 |
| Restructuring costs | 1,973 | 3,431 |
| Costs related to SEC filings | 1,080 | 776 |
| Severance costs | 784 | — |
| Costs related to early termination of leases, net of gains | 337 | — |
| Other, net | 471 | 246 |
| **Total impairment, restructuring and other** | $10,035 | $7,169 |

Restructuring costs in 2019 and 2018 were for professional fees related to consultation, due diligence, and assistance to research and evaluate various capitalization strategies related to alternative debt and equity refinancing structures, and non-capitalizable costs related to implementation of selected strategies.

## 20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from the balance sheet date of December 31, 2019 through August 14, 2020, the date the consolidated financial statements were available to be issued.

In January and February 2020, under the same terms as the Series A Convertible Preferred Stock offering discussed in Note 13, *Convertible Preferred Stock and Stockholders' Equity,* an additional 717,616 shares of stock were issued primarily to existing investors for $2,511, less offering costs of $169, for net cash proceeds of $2,342.

In April 2020, the Company entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") promissory note in the principal amount of $3,300 with JPMorgan Chase Bank's SBA loan program under the CARES Act (the "PPP Loan"). The PPP Loan bears interest at 1%, which is deferred for the first six months.

In April 2020, a third amendment to the Encina Credit Facility replaced the existing "fixed charge coverage ratio/minimum excess availability" financial covenant with an amended "availability block," and increased the "inventory sublimit."

In June 2020, as more fully discussed in Note 16, *Commitments and Contingencies*, as part of the negotiations that began in late 2019, the original distribution agreement with a supplier was amended and restated with a term ending in December 2024.

In July 2020, the Company entered into a consulting agreement with a director to serve as an advisor to the board of directors and CEO. The agreement includes an award of 1,000,000 restricted stock units, which vests over a period of two years in equal quarterly installments commencing after a three-month service period following the award, subject to the satisfaction of a performance-based vesting requirement.

In August 2020, the Company executed a lease for approximately 100,000 square feet of warehouse space in Oregon to be available upon expiration of the lease for existing space on September 30, 2020. The new lease has a term of 64 months, commencing on occupancy, with an option to renew at the then fair market value for another five years. Rent is abated for the first four months. Thereafter, monthly rent is approximately $53, and increases periodically to the final year where the monthly rent is $62.

As discussed more fully in Note 7, *Notes Receivable*, the borrower on a note receivable for $2,931 plus interest was in default as of December 31, 2019 and the Company is currently pursuing its remedies for recovery of the investment which include renegotiating the terms for repayment, and ultimately if necessary, recovery of the equipment serving as collateral which is expected to be sufficient to settle the basis of the loan.

**Schedule II — Valuation and Qualifying Accounts**

**Hydrofarm Holdings Group, Inc.**
**For the years ended December 31, 2019 and 2018**
**(in thousands)**

| | Balance as of beginning of year | Provision/ (Benefit) | Deductions | Balance as of end of year |
|---|---|---|---|---|
| **Year ended December 31, 2019** | | | | |
| Allowance for doubtful accounts | **$1,227** | $ 933 | $ (384) | **$1,776** |
| Allowance for inventory obsolescence | **3,219** | 707 | (104) | **3,822** |
| **Year ended December 31, 2018** | | | | |
| Allowance for doubtful accounts | **2,955** | 534 | (2,262) | **1,227** |
| Allowance for inventory obsolescence | **4,618** | (824) | (575) | **3,219** |

**Hydrofarm Holdings Group, Inc.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**
**(In thousands, except for share and per share amounts)**

| | Pro Forma Stockholders' Equity September 30, 2020 | September 30, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | $ 31,078 | $ 22,866 |
| Restricted cash | | 1,777 | 9,991 |
| Accounts receivable, net | | 22,543 | 15,246 |
| Inventories | | 79,990 | 50,228 |
| Notes receivable | | 3,151 | 4,796 |
| Prepaid expenses and other current assets | | 6,364 | 1,840 |
| **Total current assets** | | 144,903 | 104,967 |
| Property and equipment, net | | 3,303 | 3,550 |
| Operating lease right-of-use assets | | 15,877 | 18,521 |
| Intangible assets, net | | 53,560 | 57,406 |
| Other assets | | 928 | 1,207 |
| **Total assets** | | $ 218,571 | $ 185,651 |
| **Liabilities, convertible preferred stock and stockholders' equity** | | | |
| Current liabilities: | | | |
| Accounts payable | | $ 35,290 | $ 17,224 |
| Accrued expenses and other current liabilities | | 17,121 | 9,188 |
| Current portion of lease liabilities | | 3,142 | 3,181 |
| Current portion of long-term debt | | 37,224 | 34,827 |
| **Total current liabilities** | | 92,777 | 64,420 |
| Long-term lease liabilities | | 13,350 | 15,786 |
| Long-term debt | | 74,602 | 73,105 |
| Other long-term liabilities | | 581 | 1,160 |
| **Total liabilities** | | 181,310 | 154,471 |
| **Commitments and contingencies (Note 10)** | | | |
| **Convertible preferred stock** $0.0001 par value; 50,000,000 shares authorized; 7,725,045 and 7,007,429 shares issued and outstanding at September 30, 2020 and December 31, 2019 including cumulative dividends of $1,990 and $0 respectively; [ ] shares issued and outstanding on a pro forma basis | [ ] | 27,584 | 21,802 |
| **Stockholders' equity** | | | |
| Common stock – $0.0001 par value; 300,000,000 shares authorized; 69,745,562 shares issued and outstanding at September 30, 2020 and December 31, 2019; [ ] shares issued and outstanding on a pro forma basis | [ ] | 7 | 7 |
| Additional paid-in capital | [ ] | 154,594 | 156,174 |
| Accumulated other comprehensive loss | | (390) | (144) |
| Accumulated deficit | | (144,534) | (146,659) |
| **Total stockholders' equity** | [ ] | 9,677 | 9,378 |
| **Total liabilities, convertible preferred stock and stockholders' equity** | | $ 218,571 | $ 185,651 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Hydrofarm Holdings Group, Inc.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**
**(In thousands except share and per share amounts)**

| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Net sales | $ 254,763 | $ 181,338 |
| Cost of goods sold | 207,139 | 159,762 |
| **Gross profit** | 47,624 | 21,576 |
| Operating expenses: | | |
| Selling, general and administrative | 37,084 | 30,759 |
| Impairment, restructuring and other | 276 | 3,589 |
| **Income (loss) from operations** | 10,264 | (12,772) |
| Interest expense | (7,858) | (9,789) |
| Loss on debt extinguishment | — | (391) |
| Other income, net | 103 | 334 |
| **Income (loss) before tax** | 2,509 | (22,618) |
| Income tax (expense) benefit | (384) | 246 |
| **Net income (loss)** | 2,125 | (22,372) |
| Cumulative dividends allocated to Series A Convertible Preferred Stock | (1,990) | — |
| **Net income (loss) attributable to common stockholders** | $ 135 | $ (22,372) |
| **Net income (loss)** | $ 2,125 | $ (22,372) |
| Foreign currency translation (loss) gain | (246) | 1,193 |
| **Total comprehensive income (loss)** | $ 1,879 | $ (21,179) |
| **Historical earnings per share:** | | |
| Net income (loss) per share attributable to common stockholders: | | |
| Basic | $ 0.00 | $ (0.32) |
| Diluted | $ 0.00 | $ (0.32) |
| Weighted-average shares of common stock outstanding: | | |
| Basic | 69,745,562 | 69,745,562 |
| Diluted | 70,433,658 | 69,745,562 |
| **Pro forma earnings per share for 2020:** | | |
| Net income per share attributable to common stockholders on pro forma basis: | | |
| Basic | [ ] | |
| Diluted | [ ] | |
| Weighted-average shares of common stock outstanding on pro forma basis: | | |
| Basic | [ ] | |
| Diluted | [ ] | |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Hydrofarm Holdings Group, Inc.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (UNAUDITED)**
**(In thousands, except for share amounts)**

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance, January 1, 2019** | — | $ — | 69,745,562 | $ 7 | $155,966 | $ (1,853) | $ (106,576) | $ 47,544 |
| Stock-based compensation expense | — | — | — | — | 173 | — | — | 173 |
| Net loss | — | — | — | — | — | — | (22,372) | (22,372) |
| Foreign currency translation gain | — | — | — | — | — | 1,193 | — | 1,193 |
| **Balance, September 30, 2019** | — | $ — | 69,745,562 | $ 7 | $156,139 | $ (660) | $ (128,948) | $ 26,538 |
| **Balance, January 1, 2020** | 7,007,429 | $21,802 | 69,745,562 | $ 7 | $156,174 | $ (144) | $ (146,659) | $ 9,378 |
| Proceeds from issuance of Series A Convertible Preferred Stock, net of issuance costs of $169 | 717,616 | 2,342 | — | — | — | — | — | — |
| Collection of receivable for issuance of Series A Convertible Preferred Stock | — | 1,450 | — | — | — | — | — | — |
| Stock-based compensation expense | — | — | — | — | 410 | — | — | 410 |
| Series A Convertible Preferred Stock cumulative dividend | — | 1,990 | — | — | (1,990) | — | — | (1,990) |
| Net income | — | — | — | — | — | — | 2,125 | 2,125 |
| Foreign currency translation loss | — | — | — | — | — | (246) | — | (246) |
| **Balance, September 30, 2020** | 7,725,045 | $27,584 | 69,745,562 | $ 7 | $154,594 | $ (390) | $ (144,534) | $ 9,677 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Hydrofarm Holdings Group, Inc.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**(In thousands)**

| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| **Operating activities** | | |
| Net income (loss) | $ 2,125 | $ (22,372) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 5,170 | 5,198 |
| Non-cash operating lease expense | 2,538 | 2,771 |
| Amortization of deferred financing costs | 715 | 470 |
| Interest expense capitalized to principal of long-term debt | 20 | 7,259 |
| Other | 276 | (314) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (7,694) | (4,342) |
| Inventories | (29,730) | (3,677) |
| Prepaid expenses and other current assets | (3,650) | (3,175) |
| Accounts payable | 18,145 | 7,566 |
| Accrued expenses and other current liabilities | 7,166 | 1,898 |
| Lease liabilities | (2,379) | (2,542) |
| Other | (479) | (260) |
| **Net cash used in operating activities** | (7,777) | (11,520) |
| **Investing activities** | | |
| Purchases of property and equipment | (700) | (541) |
| Issuance of notes receivable | — | (3,031) |
| Proceeds on notes receivable | 2,000 | — |
| Other | 28 | — |
| **Net cash provided by (used in) investing activities** | 1,328 | (3,572) |
| **Financing activities** | | |
| Proceeds from issuance of Series A Convertible Preferred Stock, net of issuance costs | 3,792 | — |
| Proceeds from issuance of convertible debt | — | 5,873 |
| Borrowings from PPP Loan | 3,274 | — |
| Borrowings under revolving credit facilities | 213,621 | 203,724 |
| Payments of deferred financing costs | (13) | (1,377) |
| Repayments of long-term debt and revolving credit facilities | (213,709) | (203,420) |
| Payments of deferred offering costs | (153) | — |
| Other | (404) | (137) |
| **Net cash provided by financing activities** | 6,408 | 4,663 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 39 | 2,347 |
| **Net decrease in cash, cash equivalents and restricted cash** | (2) | (8,082) |
| Cash, cash equivalents and restricted cash at beginning of period | 32,857 | 27,923 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 32,855 | $ 19,841 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Hydrofarm Holdings Group, Inc.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**As of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019**
**(in thousands, except share and per share amounts)**

## 1. DESCRIPTION OF THE BUSINESS

***Description of the business***

Hydrofarm Holdings Group, Inc. and its subsidiaries (collectively, the "Company") was formed under the laws of the state of Delaware to acquire and continue the business of Hydrofarm, LLC which, since 1977, has been in the business of distribution and manufacture of controlled environment agriculture ("CEA", principally hydroponics) equipment and supplies, including a broad portfolio of proprietary branded products. Products offered include agricultural lighting devices, indoor climate control equipment, hydroponics and nutrients, and plant additives used to grow, farm and cultivate cannabis, flowers, fruits, plants, vegetables, grains and herbs in controlled environment settings that allow end users to control key farming variables including temperature, humidity, $CO_2$, light intensity and color, nutrient concentration and pH.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

***Basis of presentation***

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These condensed consolidated financial statements have been prepared on the same basis as its annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company's financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2020, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2019 has been derived from the audited consolidated financial statements of the Company, which are included in the prospectus herein. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the prospectus herein.

***Use of estimates***

As of the date of issuance of these condensed consolidated financial statements, the Company is not aware of any specific events or circumstance that would require an update to estimates, assumptions and judgments, or a revision of the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences could be material to the Company's condensed consolidated financial statements.

***Unaudited pro forma information on stockholders' equity as of September 30, 2020***

The accompanying unaudited pro forma stockholders' equity information presented in the condensed consolidated balance sheet as of September 30, 2020 assumes conversion of the outstanding shares of convertible preferred stock into shares of common stock in connection with the Company's initial public offering ("IPO"). The presentation assumes that the convertible preferred stock converts into [ ] shares of common stock as of September 30, 2020 based on the conversion formula described in Note 8, *Convertible preferred stock and stockholders' equity*. Upon conversion of shares of preferred stock into common stock, the

(in thousands, except share and per share amounts)

basis in the convertible preferred stock is transferred to stockholders' equity as an increase in par value and additional paid-in capital. The unaudited pro forma stockholders' equity does not assume any proceeds from the IPO.

***Segment and entity-wide information***

*Segment information*

The business is organized as two operating segments, the U.S. and Canada, which meet the criteria for aggregation, and the Company has elected to present them as one reportable segment, which is the distribution and manufacture of CEA equipment and supplies.

Since the Company operates as one reportable segment, all required segment financial information is found in the condensed consolidated financial statements and footnotes with entity-wide disclosures presented below.

*Entity-wide information*

Sales to external customers and property and equipment, net in the United States and Canada, determined by the location of the subsidiaries, were as follows:

| | For the nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| United States | $212,706 | $148,993 |
| Canada | 44,352 | 35,457 |
| Intersegment eliminations | (2,295) | (3,112) |
| **Total consolidated net sales** | $254,763 | $181,338 |

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| United States | $2,633 | $2,660 |
| Canada | 670 | 890 |
| **Total property and equipment, net** | $3,303 | $3,550 |

All of the products sold by the Company are similar and classified as CEA equipment and supplies. The Company's underlying accounting records currently do not support presentation of disaggregated net sales and any attempt to report them would be impracticable.

***Cash, cash equivalents and restricted cash***

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the consolidated statements of cash flows.

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | $31,078 | $22,866 |
| Restricted cash | 1,777 | 9,991 |
| Cash and cash equivalents, and restricted cash | $32,855 | $32,857 |

Cash and cash equivalents and restricted cash as of September 30, 2019 were $18,226 and $1,615, respectively, for total cash, cash equivalents, and restricted cash as of September 30, 2019 of $19,841.

***Revenue recognition***

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") which requires that revenue recognized from contracts with customers be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has determined that revenue is generated from one category, which is the distribution and manufacture of controlled environment agriculture ("CEA", principally hydroponics) equipment and supplies. Inventory is maintained in regional distribution centers. Payment terms are primarily at the point of sale or due within thirty days.

Revenue is recognized as control of promised goods or services is transferred to customers which generally occurs upon receipt at customers' locations determined by the specific terms of the contract. Arrangements have a single performance obligation and revenue is reported net of variable consideration which includes applicable volume rebates, cash discounts and sales returns and allowances. Variable consideration is estimated and recorded at the time of sale; these allowances and accruals are not material to the financial statements.

The amount billed to customers for shipping and handling costs included in net sales was $3,475 and $2,234 for the nine months ended September 30, 2020 and 2019, respectively. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs included in cost of goods sold under the practical expedient provisions of ASC 606. Deferred revenues are not material. The Company does not receive noncash consideration for the sale of goods. There are no significant financing components. Excluded from revenue are any taxes assessed by governmental authorities, including value-added and other sales-related taxes that are imposed on and concurrent with revenue-generating activities under the practical expedient provisions.

***Notes receivable***

During 2019, the Company advanced a total of $2,931 in the form of a note receivable secured by equipment to another third party, which earned interest at a rate of 8.0%. The note was to mature on the earlier of a) four months or 12 months after abandonment of a potential merger by the third party or the Company, respectively, b) acceleration due to default conditions or c) May 29, 2023. As of December 31, 2019, the third party had defaulted on the interest payment due on September 20, 2019, triggering an increase to the default rate of 13%. In January 2020, the Company formally abandoned the merger and arranged for the principal balance to be paid in monthly installments of $254 through January 2021. Effective April 23, 2020, due to the third party being in default on the note, the parties entered a forbearance agreement stipulating that payments will commence beginning May 8, 2020. The Company and the third party are currently in discussions to amend the note. The amendment is intended to allow the third party to receive equity financing that will be used to fund operations and make a payment on the note upon the effective date of the amendment. The Company expects the amendment will provide for financial covenants, a first priority security on all assets, amortization, and a 2024 maturity. In the event of a further default by the third party, the Company will pursue its remedies in the note, including recovery of the equipment serving as collateral, which is expected to be sufficient to settle the basis of the loan.

***Deferred offering costs***

The Company capitalizes certain legal, accounting and other third-party fees that are directly related to an equity financing that is probable of successful completion until such financing is consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a

result of the financing. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses in the condensed consolidated statements of operations and comprehensive income (loss) in the period of determination. As of September 30, 2020, $940 of deferred offering costs were included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

***Income taxes — interim tax provision***

The income tax provision is calculated for an interim period by distinguishing between elements recognized in the income tax provision through applying an estimated annual effective tax rate (the "ETR") to a measure of year-to-date operating results referred to as "ordinary income (or loss)," and discretely recognizing specific events referred to as "discrete items" as they occur. The income tax provision or benefit for each interim period is the difference between the year-to-date amount for the current period and the year-to-date amount for the prior period. Under ASC 740-270-30-36, entities subject to income taxes in multiple jurisdictions should apply one overall ETR instead of separate ETRs for each jurisdiction when calculating the interim-period income tax or benefit related to consolidated ordinary income (or loss) for the year-to-date interim period, except in certain circumstances.

The Company's effective tax rates for the nine months ended September 30, 2020 and 2019 differ from the federal statutory rate of 21% principally as a result of valuation allowances expected to be applied to net operating loss carry-forwards which will not meet the threshold for recognition as deferred tax assets.

***Fair value***

No financial assets or liabilities are measured at fair value on a recurring basis for the periods presented.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, accounts payable, accrued and other current liabilities and revolving asset-backed credit facility approximate their fair value due to their short-term maturities using level 2 inputs. The terms of the Term Loan are similar to those that would be available if the debt were refinanced at period-end, and accordingly its carrying value approximates its fair value using level 3 inputs.

***Recently issued accounting pronouncements***

*Adopted in 2020*

In August 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurement for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The Company adopted the standard effective January 1, 2020 with no impact on its disclosures about fair value measurements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. The Company adopted the standard effective March 12, 2020 with no impact on the condensed consolidated financial statements and related disclosures.

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*Accounting standards not yet effective*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, with additional amendments issued subsequently. Topic 326 changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. Topic 326 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of Topic 326 will have on its condensed consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and improving consistent application of and simplifying GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact the adoption of Topic 740 will have on its condensed consolidated financial statements.

## 3. NET INCOME (LOSS) PER COMMON SHARE ("EPS")

Basic EPS is computed using net income (loss) attributable to common stockholders divided by the weighted-average number of common shares outstanding during each period, excluding unvested restricted stock units ("RSUs").

Diluted EPS represents net income (loss) attributable to common stockholders divided by the weighted-average number of common shares outstanding during the period, including common stock equivalents. Common stock equivalents consist of shares subject to warrants and share-based awards with exercise prices less than the average market price of the Company's common stock for the period, to the extent their inclusion would be dilutive. Regarding RSUs subject to a performance condition, before the end of the contingency period (i.e., before the performance or market conditions have been satisfied), the number of contingently issuable shares (i.e., RSUs) to be included in diluted EPS would be based on the number issuable under the terms of the arrangement if the end of the reporting period was the end of the contingency period, assuming the result would be dilutive. Those contingently issuable shares would be included in the denominator of diluted EPS as of the beginning of the period, or as of the grant date of the share-based payment, if later.

*Net income (loss) per share attributable to common stockholders*

The following table presents information necessary to calculate basic and diluted EPS for the nine months ended September 30, 2020 and 2019:

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| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Net income (loss) | $ 2,125 | $ (22,372) |
| Cumulative dividends allocated to Series A Convertible Preferred Stock | (1,990) | — |
| **Net income (loss) available for distribution** | 135 | (22,372) |
| Less: Undistributed earnings allocable to participating securities | (13) | — |
| **Basic and diluted net income (loss) attributable to common stockholders** | $ 122 | $ (22,372) |
| Less: Effect on net income (loss) of dilutive securities using the "if converted" method | — | — |
| **Diluted net income (loss) attributable to common stockholders after adjustment for assumed conversions** | $ 122 | $ (22,372) |
| Weighted-average shares of common stock outstanding for basic net income (loss) per share attributable to common stockholders | 69,745,562 | 69,745,562 |
| Dilutive effect of restricted stock units subject only to time-based vesting using the treasury stock method | 429,929 | — |
| Dilutive effect of warrants using the treasury stock method | 98,208 | — |
| Dilutive effect of stock options using the treasury stock method | 159,959 | — |
| **Weighted-average shares of common stock outstanding for diluted net income (loss) per share attributable to common stockholders** | 70,433,658 | 69,745,562 |
| **Basic net income (loss) per share attributable to common stockholders** | $ 0.00 | $ (0.32) |
| **Diluted net income (loss) per share attributable to common stockholders** | $ 0.00 | $ (0.32) |

Basic and diluted net income (loss) per share attributable to common stockholders is computed using the two-class method as the convertible preferred stock is determined to be a participating security and the application of the if-converted method is not more dilutive. The computation of the weighted-average shares of common stock outstanding for diluted EPS includes the following potential common shares attributable to common stockholders using the treasury stock method for the weighted-average period during which the units were outstanding:

| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| **Shares subject to warrants outstanding** | 1,161,977 | — |
| **Shares subject to stock options outstanding** | 2,861,900 | — |
| **Shares subject to unvested restricted stock units subject only to time-based vesting** | 1,355,736 | — |

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The computation of the weighted-average shares of common stock outstanding for diluted EPS excludes the following potential common shares as their inclusion would have an anti-dilutive effect on diluted EPS attributable to common stockholders:

| | Nine months ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| **Shares subject to warrants outstanding** | **11,938,092** | **13,100,069** |
| **Shares subject to stock options outstanding** | **—** | **2,685,740** |
| **Shares subject to unvested restricted stock units with performance conditions** | **7,137,610** | **4,742,698** |
| **Series A preferred stock convertible into common shares** | **7,725,045** | **—** |
| **Series A preferred stock convertible into common shares – associated with cumulative dividends** | **568,571** | **—** |

The 7,137,610 and 4,742,698 RSUs as of September 30, 2020 and 2019 respectively, included in the preceding table, are subject to time and performance-based vesting criteria which would not have been met if the end of the contingency (e.g., performance) period were September 30, 2020.

If determined by the Corporation that the cumulative Series A preferred stock dividend would be paid in shares of Series A preferred stock, the 568,571 shares of Series A preferred stock convertible into common stock, included in the table, reflect the shares that would have been issued as of September 30, 2020 (cumulative dividend on preferred stock of $1,990 at $3.50 per share, the Series A Conversion Price). See Note 8, *Convertible Preferred Stock and Stockholders' Equity*, under *Convertible preferred stock classified outside of permanent equity,* for a description of *"mandatory conversion upon a qualified IPO*". The issuance of shares associated with the dividend would be considered a "nominal issuance" (issuance for little or no additional consideration) and, accordingly, included in EPS retroactively to the date the underlying dividends were earned on a weighted average basis unless anti-dilutive.

*Unaudited pro forma net income (loss) per share attributable to common stockholders for the nine months ended September 30, 2020*

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net income per share attributable to common stockholders assuming the automatic conversion of convertible preferred stock into [ ] shares of common stock (based on the conversion formula described in Note 8, *Convertible preferred stock and stockholders' equity*) upon consummation of the IPO as if the IPO had occurred as of January 1, 2020 or the original issuance date of the convertible preferred stock if after January 1, 2020:

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| | Nine months ended September 30, 2020 |
|---|---|
| Basic and diluted net income attributable to common stockholders | [ ] |
| Adjustment to net income attributable to common stockholders | [ ] |
| **Net income used in calculated basic and diluted pro forma net income per share attributable to common stockholders** | **[ ]** |
| Less: Effect on net income of dilutive securities using the "if converted" method | — |
| **Net income used in calculated diluted pro forma net income per share attributable to common stockholders** | [ ] |
| Weighted-average shares of common stock outstanding for basic net income per share attributable to common stockholders | [ ] |
| Add: Pro forma adjustment to reflect assumed conversion of all outstanding shares of Series A Convertible Preferred Stock | [ ] |
| **Weighted-average shares of common stock outstanding for pro forma basic net income per share attributable to common stockholders** | — |
| Add: Dilutive effect of restricted stock units subject only to time-based vesting using the treasury stock method | [ ] |
| Add: Dilutive effect of warrants using the treasury stock method | [ ] |
| Add: Dilutive effect of stock options using the treasury stock method | [ ] |
| **Weighted-average shares of common stock outstanding used to compute pro forma diluted net income per share attributable to common stockholders** | — |
| Pro forma basic net income per share attributable to common stockholders | [ ] |
| Pro forma diluted net income per share attributable to common stockholders | [ ] |

## 4. ACCOUNTS RECEIVABLE, NET AND INVENTORIES

Accounts receivable, net comprised the following:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Trade accounts receivable | **$22,761** | **$16,577** |
| Allowance for doubtful accounts | **(1,323)** | **(1,776)** |
| Other receivables | **1,105** | **445** |
| **Total accounts receivable, net** | **$22,543** | **$15,246** |

Inventories comprised the following:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Finished goods | **$83,089** | **$54,050** |
| Allowance for inventory obsolescence | **(3,099)** | **(3,822)** |
| **Total inventories** | **$79,990** | **$50,228** |

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## 5. OPERATING LEASES

The Company leases its distribution centers from third parties under various non-cancelable lease agreements expiring at various dates through 2030. Certain lease agreements contain renewal options. The Company recognizes operating lease costs over the respective lease periods, including short-term and month-to-month leases. During the nine months ended September 30, 2020 and 2019, the Company incurred operating lease costs of $4,246 and $4,350, respectively, included within selling, general and administrative expense in the condensed consolidated statements of operations and comprehensive income (loss).

Supplemental balance sheet information related to the Company's operating leases are as follows:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Operating lease right-of-use assets | **$15,877** | **$18,521** |
| **Total leased assets** | **$15,877** | **$18,521** |
| **Liabilities** | | |
| Current portion of lease liabilities | **$ 3,142** | **$ 3,181** |
| Long-term lease liabilities | **13,350** | **15,786** |
| **Total lease liabilities** | **$16,492** | **$18,967** |

As of September 30, 2020, future minimum lease payments under non-cancelable operating leases are as follows:

| | Operating |
|---|---|
| For the period of October 1, 2020 to December 31, 2020 | **$ 945** |
| Year ending December 31 | |
| 2021 | **3,823** |
| 2022 | **3,335** |
| 2023 | **1,803** |
| 2024 | **1,397** |
| 2025 | **1,428** |
| Thereafter | **6,730** |
| **Total rental payments** | **19,461** |
| Less portion representing interest | **(2,969)** |
| **Total principal** | **16,492** |
| Less current portion | **(3,142)** |
| **Long-term portion** | **$13,350** |

## 6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprised the following:

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Goods in transit accrual | **$ 4,126** | **$1,005** |
| Freight, custom and duty accrual | **3,486** | **977** |
| Accrued compensation and benefits | **3,355** | **1,857** |

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| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Obligations due under a distribution agreement | 586 | 1,154 |
| Costs related to issuance of Series A Convertible Preferred Stock | — | 1,239 |
| Other accrued liabilities | 5,568 | 2,956 |
| **Total accrued expenses and other current liabilities** | $17,121 | $9,188 |

## 7. DEBT

Debt is comprised of the following:

| | September 30, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Outstanding Principal | Unamortized Discount and Deferred Financing Costs | Net Carrying Amount | Outstanding Principal | Unamortized Discount and Deferred Financing Costs | Net Carrying Amount |
| Term loan | $ 76,292 | $(1,035) | $ 75,257 | $ 85,111 | $(1,513) | $ 83,598 |
| Line of credit | 32,494 | (568) | 31,926 | 23,864 | (792) | 23,072 |
| PPP Loan | 3,274 | — | 3,274 | — | — | — |
| Other | 1,369 | — | 1,369 | 1,262 | — | 1,262 |
| **Total debt** | 113,429 | (1,603) | 111,826 | 110,237 | (2,305) | 107,932 |
| Current portion | 37,224 | — | 37,224 | 34,827 | — | 34,827 |
| Long term | 76,205 | (1,603) | 74,602 | 75,410 | (2,305) | 73,105 |
| **Total debt** | $113,429 | $(1,603) | $111,826 | $110,237 | $(2,305) | $107,932 |

***Term Loan with Brightwood***

In May 2017, a term loan in the aggregate principal amount of $75,000 (the "Term Loan") was obtained by Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "Term Loan Obligors") from Brightwood Loan Services LLC, as administrative agent ("Brightwood"), and the lenders party thereto. Hydrofarm Holdings LLC is a shell entity and a subsidiary of Hydrofarm Holdings Group, Inc. Hydrofarm Holdings LLC's subsidiary is Hydrofarm, LLC, the primary operating entity of the Company.

The Term Loan matures on May 12, 2022. Interest is calculated at LIBOR plus a margin of 700 basis points on LIBOR based loans assuming the net leverage ratio as defined is met, otherwise at LIBOR plus a margin of 850 basis points; an additional 200 basis points is added to the rate for any period during which the loan is in default. Principal payments at an annual basis of 2.5% of the original loan amount, $469 are due quarterly. Deferred financing costs are being amortized to interest expense over the term of the loan. The Term Loan is secured by substantially all non-working capital assets and a second lien on working capital assets of the Term Loan Obligors.

The Term Loan has been subject to numerous amendments since its origination generally in connection with modifications to debt service, interest payments, interest rates, and debt covenants. Certain amendments required payments of fees. All amendments were accounted for as debt modifications.

The Brightwood sixth amendment and a related side letter dated October 15, 2019 provided that a portion of the proceeds raised in the December 2019 offering of Series A Convertible Preferred Stock would be used pay down the Term Loan; the amount was ultimately determined to be $8,370. As of December 31, 2019, cash of $8,370 is presented as a component of restricted cash on the accompanying unaudited condensed

consolidated balance sheet and an equal amount of the Term Loan is included in current portion of long-term debt. The payment was made in January 2020.

For the nine months ended September 30, 2019, the effective interest rate was 13.11%, interest expense was $7,606, of which $5,324 was added to the principal, and amortization of deferred financing costs was $330. For the nine months ended September 30, 2020, the effective interest rate was 10.22%, interest expense was $5,460, and amortization of deferred financing costs was $478.

The Term Loan Obligors were in compliance with all debt covenants as of September 30, 2020.

***Revolving asset-backed credit facilities***

In May 2017, a credit facility ("BofA Credit facility") was obtained by Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "BofA Obligors") from Bank of America and the lenders' party thereto. From January 1, 2019 through June 10, 2019, the BofA Credit Facility was amended in connection with extensions of the due date and eventual payoff in July 2019. Each amendment was accounted for as a debt modification.

On July 11, 2019, Hydrofarm Holdings LLC and certain of its direct and indirect subsidiaries (the "Encina Obligors") replaced the BofA Credit Facility with the Encina Credit Facility through a certain Loan and Security Agreement whereby the Encina Obligors obtained a revolving asset-based loan commitment in the maximum amount of $45,000 (inclusive of a limit of up to $15,000 of borrowings for the Canadian borrowers and a swingline facility of up to $2,000), subject to applicable borrowing base availability, through Encina Business Credit, LLC ("Encina"). The amount of the facility is limited to the borrowing base (primarily calculated based on eligible accounts receivable and inventory) subject to certain reserves and limitations. The Encina Credit Facility is due on the earlier of July 11, 2022 or 90 days prior to the scheduled maturity date of the Term Loan.

Interest, due monthly, is charged at LIBOR or a base rate, plus an applicable margin ranging between 3.75% to 5.50% per annum determined based on the fixed charge coverage ratio calculated over an applicable time period. A fee of 0.50% per annum is charged for available but unused borrowings as defined. An additional 200 basis points is added to the interest rate for any period during which the loan is in default. Deferred financing costs are being amortized over the term of the Encina Credit Facility.

The Encina Credit Facility is secured by working capital assets and a second lien on non-working capital assets, and requires various restrictive covenants and financial ratios. It also provides for protective advances, overdrafts, early payment/termination premium, events of default and remedies available, limitations on new indebtedness and on dividends to the parent, negative covenants, representations, warranties, limitation of liabilities and indemnities. Additionally, the agreement requires the Encina Obligors to be in compliance with the financial and qualitative covenants of all other existing debt. The Encina Credit Facility provides for several financial covenants, as defined and limits on capital expenditures. In April 2020 and May 2020, the Encina Credit Facility was amended by the third, fourth and fifth amendments, which (i) replaced the existing "fixed charge coverage ratio/minimum excess availability" financial covenant with an amended "availability block" and increased the "inventory sublimit," each as more fully described in the amendment, (ii) provided for permitted indebtedness related to the PPP Loan, and (iii) increased permitted capital expenditures during any fiscal year to $750. In September 2020, the Encina Credit Facility was amended by the sixth amendment, which (i) further increased the "inventory sublimit" (as defined), and (ii) increased permitted capital expenditures during any fiscal year to $2,000.

For the nine months ended September 30, 2019, the effective interest rate was 9.94%, interest expense was $1,649, all of which was added to the principal, and amortization of deferred financing costs was $150. For the nine months ended September 30, 2020, the effective interest rate was 9.27%, interest expense was $1,625

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and amortization of deferred financing costs was $237. The Encina Obligors had approximately $3,554 available to borrow under the Encina Credit Facility as of September 30, 2020.

The Encina Obligors were in compliance with all debt covenants as of September 30, 2020.

***Note under Paycheck Protection Program***

In April 2020, the Company entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program promissory note in the principal amount of $3,274 with JPMorgan Chase Bank's SBA loan program under the CARES Act (the "PPP Loan"). The PPP Loan bears interest at 1% per annum and payments are deferred for the first six months. Interest expense incurred for the nine months ended September 30, 2020 was $16. The maturity date is April 7, 2022.

***Aggregate future principal payments***

As of September 30, 2020, the aggregate future principal payments under long-term debt and finance lease obligations are as follows:

| | Finance lease obligations | Debt | Total |
|---|---|---|---|
| For the period from October 1, 2020 to December 31, 2020 | $101 | $ 33,709 | $ 33,810 |
| Year ending December 31, | | | |
| 2021 | 400 | 4,214 | 4,614 |
| 2022 | 232 | 74,754 | 74,986 |
| 2023 | 56 | 32 | 88 |
| **Total** | 789 | 112,709 | 113,498 |
| Less portion representing interest | (69) | — | (69) |
| **Total debt** | $720 | $112,709 | $113,429 |

The following is a reconciliation of payment due:

| | Finance lease obligations | Debt | Total |
|---|---|---|---|
| Current portion | $356 | $ 36,868 | $ 37,224 |
| Long-term | 364 | 75,841 | 76,205 |
| **Total payments due** | $720 | $112,709 | $113,429 |

## 8. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

***Capital stock***

As of September 30, 2020, the following summarizes shares authorized, issued and outstanding:

| Capital stock authorized and outstanding: | Shares authorized | Shares outstanding |
|---|---|---|
| Convertible preferred stock | 50,000,000 | 7,725,045 |
| Common stock | 300,000,000 | 69,745,562 |

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As of September 30, 2020, the following summarizes shares of common stock reserved for issuance:

| Common stock reserved for issuance: | Shares reserved for issuance |
|---|---|
| Convertible preferred stock | **7,725,045** |
| Warrants | **13,100,069** |
| Stock options | **2,861,900** |
| Restricted stock units | **8,493,346** |

***Convertible preferred stock classified outside of permanent equity***

In December 2019, the Company issued 7,007,429 shares of Series A convertible preferred stock with a par value of $24,526 in return for cash of $15,439, conversion of debt with a basis of $7,637, and $1,450 in receivables that were settled in January 2020. Offering costs totaled $1,274, of which $1,239 was included in accrued expense and other current liabilities in the consolidated balance sheet as of December 31, 2019. In January and February 2020, an additional 717,616 shares of preferred stock were issued primarily to existing investors for $2,511, less offering costs of $169, for net cash proceeds of $2,342.

A summary of key terms are as follows:

- **Initial purchase price**: $3.50
- **Ranking:** Senior to all classes of common and preferred stock
- **Use of Proceeds**: Approximately $8,370 to pay down Term Loan (see Note 7, *Debt*), growth investments and general corporate purposes
- **Preferred dividend**: 10% dividend yield, cumulative, payable in cash or PIK (Series A Convertible Preferred Stock) at the issuer's discretion; the rate increases to 11% after the 9-month anniversary and 12% after the 18-month anniversary
- **Liquidation preference**: 1x liquidation preference upon liquidation or wind up; a majority of the Preferred Shareholders can vote to liquidate the Company
- **Conversion rights**: At any time, the holders of the Preferred Stock can convert their shares 1:1 into to common stock subject to typical anti-dilution provisions.
- **Voting rights**: The Preferred Shareholders vote together with the holders of common stock on an as-converted basis.
- **Liquidity rights**: Following the 18-month anniversary of the closing date, if an IPO has not occurred, the Preferred Stock investors can cause the Company to undertake one of the following actions (selection of the specific action is at the Company's discretion):
  - Redeem the securities
  - Initiate a sale of the Company
  - Initiate an IPO process
- **Mandatory Conversion upon a Qualified IPO**: Upon an IPO of at least $75,000 of gross proceeds, each share of outstanding Series A Preferred Stock automatically converts into common shares at the lesser of (x) the then Series A Conversion Price of ($3.50), or (y) the then effective Discounted Qualified IPO price. The Discounted Qualified IPO price is the amount calculated by multiplying the price at which the shares of common stock were issued in the IPO by 0.8 (the Multiplier), provided that commencing 270 days after the issuance of the Preferred Stock, the Multiplier shall be decreased to

0.79 and shall be decreased by an additional 0.01 every thirty days thereafter, provided that the Multiplier shall not decrease below 0.75. If determined by the Corporation that the cumulative Series A preferred stock dividend would be paid in shares of Series A preferred stock, the newly issued shares would be determined by dividing the amount of the cumulative dividend by the Series A Conversion Price of $3.50 per share.

- **Other terms**: Customary rights consistent with offerings of this type, including protective provisions, registration rights, reporting/information rights, right of first refusal/co-sale rights, pre-emptive rights, lock up restrictions, and transfer restrictions.

The Series A Convertible Preferred Stock contains a redemption feature not solely within the control of the Company's common shareholders and is, therefore, classified outside of permanent equity. None of the embedded features required bifurcation from the host instrument.

***Common stock***

Each holder of common stock is entitled to one vote for each share of common stock. Common stockholders have no pre-emptive rights to acquire additional share of common stock or other securities. The common stock is not subject to redemption rights and carries no subscription or conversion rights. In the event of liquidation, the stockholders are entitled to share in corporate assets on a pro rata basis after the Company satisfies all liabilities and after provision is made for any class of capital stock having preference over the common stock. Subject to corporate regulations and preferences to preferred stock, if any, dividends are at the discretion of the Company's board of directors (the ''Board'').

***Warrants***

As of September 30, 2020 and December 31, 2019, aggregate shares of common stock under warrants totaled 13,100,069.

Warrants issued to investors for the purchase of 11,357,114 shares (the "Investor Warrants") are exercisable at $5.00 per share commencing the earliest of a public event defined as the effective date of a registration statement, the closing of any initial public offering, or the closing of any other transaction or set of events that results in the Company being subject to the reporting requirement of the Securities Exchange Act of 1934, as amended. The warrants expire three years from the effective date of a public event. The warrants are callable by the Company solely at its discretion if certain conditions are met.

Warrants for the purchase of 580,978 shares of common stock are exercisable at a price of $5.00 per share and 1,161,977 are exercisable at a price of $2.50 per share. These warrants are exercisable upon exercise of the Investor Warrants.

***Restriction on the ability to pay dividends***

Under the loan agreements with Encina and Brightwood, substantially all consolidated net assets of the Brightwood Obligors or Encina Obligors are subject to limitations regarding the restriction of payment of dividends to any direct or indirect parent.

## 9. STOCK-BASED COMPENSATION

***Stock-based compensation plan overview***

The Company adopted the 2018 Equity Incentive Plan in August 2018 and the 2019 Employee, Director and Consultant Equity Incentive Plan in December 2019 (collectively, the "Incentive Plans") which provide for the issuance of both non-statutory and incentive stock options and other awards to acquire up to 8,718,196

**(in thousands, except share and per share amounts)**

shares of common stock under the 2018 Equity Incentive Plan, and 3,487,278 shares of common stock under the 2019 Employee, Director and Consultant Equity Incentive Plan. Of the total shares available for grant under the stock compensation plans, 1,850,228 remain available as of September 30, 2020. No awards were granted prior to 2019.

***Restricted stock units issued to executives' subject to service and performance conditions***

From January 1, 2019 through September 30, 2020, the Company granted RSUs to certain executives which expire 10 years after the grant date. All awards have a time-based vesting requirement (based on continuous employment) and certain awards also have a performance-based vesting requirement (defined as a liquidity event including an initial public offering); on the date the performance-based vesting requirement is satisfied, the employee will become vested in the number of RSUs that have satisfied the time-based vesting requirement, if any. Upon vesting, the RSUs convert into shares of the Company's common stock; unvested RSUs are not considered outstanding common shares.

Since RSUs represent equity awards of the Company, such awards are fair valued as of the grant date for the purposes of measurement under U.S. GAAP. Expense is recognized over the vesting period for awards with only time-based vesting. Expense for awards subject to both time and performance-based vesting begins when the performance criteria is deemed probable of occurrence; as of September 30, 2020, the Company has determined that the ultimate vesting of RSUs subject to performance-based vesting is not probable and, accordingly, the Company has not recognized any expense related to these awards.

The following table summarizes the RSU activity for the nine months ended September 30, 2020:

| | Number of RSUs |
|---|---|
| Balance, January 1, 2020 | **6,137,610** |
| Granted April 2020 | **1,355,736** |
| Granted July 2020 | **1,000,000** |
| **Balance, September 30, 2020** | **8,493,346** |

The award granted in July 2020 contains a market condition (based on the trade value of shares of the Company's common stock following an IPO during a defined period shortly after the IPO) in addition to time and performance vesting requirements. For this award, the market condition is factored into its fair value; otherwise, all accounting is the same as awards with both time and performance vesting conditions. Expense is recognized regardless whether the market condition is eventually met. To estimate the fair value of the award, the "Monte Carlo Simulation Method" (the MCSM) was used which assesses the likelihood of vesting of the RSU grant based on the probability of both a triggering event (e.g., IPO) and achievement of the qualifying traded share price within the specified time frame. The resulting risk-adjusted likely probability of vesting is then applied to the underlying fair value of common stock incorporating scenarios under which various performance conditions and share price outcomes are modeled over the course of numerous iterations. Key assumptions in the MCSM include volatility of 50%; time horizon of 2.5 years corresponding to the vesting measurement period of the award forecasted based on daily trading prices; risk-free rate: 0.11%; and, number of simulation trials of 10,000.

The following table summarizes the grant date fair value, expense for the nine months ended September 30, 2020 (no expense was recognized during the nine months ended September 30, 2019), and the balance of unamortized stock-based compensation related to RSUs as of September 30, 2020:

**Hydrofarm Holdings Group, Inc.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**As of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019**
**(in thousands, except share and per share amounts)**

| | Number of RSUs | Grant date fair value | Expense during period | Unamortized compensation |
|---|---|---|---|---|
| RSUs subject to passage of time and performance, all unvested | **7,137,610** | **$11,293** | **$ —** | **$11,293** |
| RSUs subject only to the passage of time: | | | | |
| Vested | — | — | — | — |
| Unvested | **1,355,736** | **2,440** | **(301)** | **2,139** |
| **Total RSUs outstanding** | **8,493,346** | **$13,733** | **$(301)** | **$13,432** |

Unamortized stock-based compensation cost of $11,293 as of September 30, 2020 for RSUs with time and performance-based vesting will be recognized as expense if and when the Company determines that vesting is probable. At the time vesting becomes probable, a cumulative catch-up adjustment will be made to reflect the portion of the employee's requisite service that has been provided to the probable date (but no less than the actual amount vested under the agreement), with the balance amortized over the remaining requisite service period. As of September 30, 2020, the performance condition has not met the criteria to be considered probable of vesting. On a pro forma basis, if these RSUs were to have vested on September 30, 2020 because the performance based criteria was met (for example, the IPO was completed in the third quarter of 2020), approximately $3,550 would have been recognized as additional expense for the nine months ended September 30, 2020.

As of September 30, 2020, total unamortized stock-based compensation cost related to unvested RSUs subject only to time-based vesting was $2,139 and the weighted-average period over which the compensation is expected to be recognized is 3.46 years.

***Stock options***

The following table summarizes the stock option activity for the nine months ended September 30, 2020:

| | Number | Weighted average exercise price | Weighted average grant date fair value | Weighted average remaining contractual term (yrs) |
|---|---|---|---|---|
| Outstanding at January 1, 2020 | **2,764,240** | **$2.50** | **$0.21** | **9.27** |
| Granted | **256,136** | **$3.11** | **$1.28** | |
| Forfeited | **(158,476)** | **$2.50** | **$0.21** | |
| Exercised | — | — | | |
| Expired | — | — | | |
| **Outstanding at September 30, 2020** | **2,861,900** | **$2.55** | **$0.32** | **8.63** |
| Options exercisable as of September 30, 2020 | **1,419,818** | **$2.50** | **$0.21** | **8.44** |
| Options vested and expected to vest as of September 30, 2020 | **2,861,900** | **$2.55** | **$0.32** | **8.63** |

Total compensation expense for stock options including RSUs was approximately $410 and $173 for the nine months ended September 30, 2020 and 2019, respectively, and is included in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income (loss). No tax benefit related to the stock option expense was recognized as all the awards are classified as qualified incentives options.

As of September 30, 2020, total compensation cost related to unvested awards not yet recognized was $586 and the weighted-average period over which the compensation is expected to be recognized is 2.32 years.

**Hydrofarm Holdings Group, Inc.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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**(in thousands, except share and per share amounts)**

## 10. COMMITMENTS AND CONTINGENCIES, AND RELATED PARTY TRANSACTIONS

***Purchase commitments***

From time to time in the normal course of business, the Company will enter into agreements with suppliers which provide favorable pricing in return for a commitment to purchase minimum amounts of inventory over a defined time period.

In June 2020, as part of negotiations with the supplier that began in late 2019, the Company amended its October 2017 agreement to distribute and sell certain garden products for a term ending in December 2024. Under the amended agreement, the Company committed to purchase inventory in periodic minimum volumes on a take-or-pay basis, as defined, over the term of the agreement in return for pricing that would provide the Company with a minimum gross margin along with the potential for rebates.

***Contingencies***

In the normal course of business, certain claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims. Based on available information, management believes the claims are without merit and does not expect that the outcome, individually or in the aggregate, would have a material adverse effect on the consolidated financial positions, results of operations, cash flows or future earnings.

***Related party transactions — Hydrofarm Headquarters***

The Company leases its headquarters and local distribution center in Petaluma, California from entities in which a related party is an investor. One lease is month to month and another lease terminated in June 2019. For the nine months ended September 30, 2020 and 2019, aggregate rent expense for these two leases totaled $959 and $1,126, respectively.

***Related party transactions — Consulting Agreement***

In July 2020, the Company entered into a consulting agreement with a director to serve as an advisor to the Board and the chief executive officer. The agreement includes an award of 1,000,000 restricted stock units (see Note 9, *Stock-based compensation*).

## 11. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from the balance sheet date of September 30, 2020 through November 12, 2020, the date the condensed consolidated financial statements were available to be issued.

In August 2020, the Company executed a lease for approximately 100,000 square feet of warehouse space in Oregon to be available upon expiration of the lease for existing space. The new lease commencing October 7, 2020 has a term of 64 months with an option to renew at the then fair market value for another five years. Rent is abated for the first four months. Thereafter, monthly rent is approximately $53, and increases periodically to the final year where the monthly rent is $62.

On October 7, 2020, the Small Business Administration and Treasury Department confirmed a ten month extension of the deferral period, granted by the PPP Flexibility Act of 2020, which automatically applies to all PPP Loans. The extension allows borrowers to defer payments of principal, interest and fees and does not require a formal modification to the promissory note.

**Hydrofarm Holdings Group, Inc.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**As of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019**
**(in thousands, except share and per share amounts)**

In November 2020, five new independent directors were appointed to the Board replacing most of the members who previously served on the Board. In anticipation of reconstituting the Board, in October 2020, the compensation committee of the Board approved grants of 250,000 restricted stock units, in the aggregate, to certain Board members who were being replaced and their affiliates. These awards are fully vested at the time of grant. Also, in October 2020, the compensation committee of the Board approved 150,000 restricted stock units, in the aggregate, to certain employees. Such awards are subject to time-based vesting.

As a result of this change and other Board actions in November 2020, the holder of the 1,000,000 restricted stock unit award granted in July 2020 discussed in Note 9, *Stock-based compensation*, was replaced on the Board, the related consulting agreement was canceled and the vesting in the award was modified as provided in the Amended and Restated Restricted Stock Unit Award Notice and Agreement.

In November 2020, the Board approved the 2020 Equity Incentive Plan (the Plan) and reserved an aggregate of 7,700,000 shares of Common Stock for issuance under the Plan. Stockholder approval is required for the adoption of the Plan.

# HYDROFARM HOLDINGS GROUP, INC.


**shares of Common stock**

**Prospectus**

**J.P. Morgan** **Stifel**

**Deutsche Bank Securities** **Truist Securities** **William Blair**

, 2020

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 13. Other expenses of issuance and distribution.**

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, paid or payable by the Registrant in connection with the sale of the shares of common stock being registered hereby. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee:

| | |
|---|---|
| SEC registration fee | $10,910 |
| FINRA filing fee | 15,500 |
| Accounting fees and expenses | * |
| Legal fees and expenses | * |
| Printing expenses | * |
| Transfer agent and registrar fees and expenses | * |
| Miscellaneous fees and expenses | * |
| Total | $ * |

* To be filed by amendment.

**Item 14. Indemnification of directors and officers.**

Section 145(a) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the Delaware General Corporation Law provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the Delaware General Corporation Law.

Our amended and restated by-laws (the "Bylaws"), provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law as the same may be amended (except that in the case of amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the Delaware General Corporation Law permitted us to provide prior to such the amendment) against expenses, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by the director or officer or on the director's or officer's behalf in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director of an officer of the Company, while a director or officer of the Company, is or was serving at the request of the Company as a director, officer or trustee of another corporation, or of a partnership, joint venture, trust, employee benefit plan or other enterprise. The Bylaws also provides for the advancement of expenses (including attorney's fees) to each of our directors and officers. As permitted by the Delaware General Corporation Law, our amended and restated certificate of incorporation (the "Certificate of Incorporation") and Bylaws includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The Bylaws further provides that we may, at the discretion of the board of directors, grant rights of indemnification and to the advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of our Certificate of Incorporation with respect to the indemnification and advancement of expenses of our directors and officers.

In addition, the Bylaws provide that the right of each of our directors and officers to indemnification and advancement of expenses shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of our Certificate of Incorporation or Bylaws, agreement, vote of stockholders or otherwise. Furthermore, the Bylaws authorizes us to provide insurance for our directors, officers and employees, against any liability, whether or not we would have the power to indemnify such person against such liability under the Delaware General Corporation Law or the provisions of the Bylaws.

We have entered into indemnification agreements with each of our directors and our executive officers. These agreements provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and the Certificate of Incorporation and Bylaws. In addition, such agreements may be, in some cases, broader than the specific indemnification provisions contained under the Delaware General Corporation Law.

We also maintain a directors and officers liability insurance policy, which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers.

**Item 15. Recent sales of unregistered securities.**

In the three years preceding the filing of this registration statement, the Company has issued the following securities that were not registered under the Securities Act of 1933, as amended, or the Securities Act:

*Private Placement and Merger*

In October 2018, we consummated a private placement offering of 16,619,616 units (each a "Unit," and collectively, the "Units") for gross proceeds of approximately $41.5 million. Each Unit consisted of (i) one (1) share of our common stock and (ii) a warrant (each a "Investor Warrant," and collectively, the "Investor Warrants"), expiring three years after the earliest of (x) the effectiveness of a resale registration statement, (y) the closing of an initial public offering of the Company's common stock or (z) the closing of any other transaction or set of events that results in the Company being subject to the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), entitling the holder to purchase one-half (1/2) share of our common stock at an initial exercise price of $5.00 per full share (the "Private Placement"). As part of the Private Placement, we issued A.G.P./Alliance Global Partners and SternAegis Ventures warrants to purchase 1,742,955 shares of our common stock.

Concurrently with the closing of the Private Placement, one of our wholly-owned subsidiaries merged with and into Hydrofarm Investment Corp. ("HIC"), with HIC becoming our wholly-owned subsidiary and

continuing its and its subsidiaries' existing business operations, including those of Hydrofarm, LLC, a subsidiary of HIC (the "Merger").

In connection with the Private Placement and Merger, (i) HIC raised $15.2 million from its existing stockholders through the issuance of 6,094,617 units (the "Concurrent Offering") and (ii) Hydrofarm Holdings, LLC ("Hydrofarm Holdings"), a subsidiary of HIC, and its affiliates entered into certain amendments to Hydrofarm Holdings' credit facilities to amend certain covenants and other provisions under such credit facilities. The consideration in the Concurrent Offering consisted of $11.1 million in cash from existing stockholders of HIC and the conversion of $4.1 million of an aggregate principal amount plus interest outstanding under an outstanding note. As part of the Merger, the securities of HIC issued in the Concurrent Offering were exchanged into shares of our common stock and warrants to purchase our common stock having the same terms and conditions as the securities included in the Units issued in this Private Placement.

On December 31, 2019, we entered into a securities purchase agreement with certain investors named therein, pursuant to which we issued and sold, in a private placement offering between December 2019 and February 2020, 7,725,045 shares of our Series A Convertible Preferred Stock, par value $0.0001 per share, at an offering price of $3.50. We received gross proceeds of approximately $27 million (which includes proceeds of approximately $8 million raised from the issuances of convertible unsecured subordinated promissory notes in September and October 2019 which converted into shares of our Series A Preferred Stock) in connection with this offering, before deducting fees and related offering expenses.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

*Plan-Related Issuances*

From September 30, 2017 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants and other service providers options to purchase an aggregate of 2,861,900 shares of our common stock under our equity compensation plans at an exercise price of $2.55 per share.

From September 30, 2017 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants and other service providers an aggregate of 8,493,346 restricted stock units to be settled in shares of our common stock under our equity compensation plans.

The offers, sales and issuances of the securities described above were deemed to be exempt from registration either under Rule 701 promulgated under the Securities Act, in that the transactions were under compensatory benefit plans and contracts relating to compensation, or under Section 4(a)(2) in that the transactions were between an issuer and members of its senior executive management and did not involve any public offering within the meaning of Section 4(a)(2). The recipients of such securities were our employees, directors, or consultants and received the securities under our equity incentive plans. Appropriate legends were affixed to the securities issued in these transactions.

**Item 16. Exhibits and financial statement schedules.**

(a) Exhibits.

| Exhibit | Description |
|---|---|
| 1.1 | Form of Underwriting Agreement.* |
| 2.1 | Amended and Restated Agreement and Plan of Merger, dated August 28, 2018, by and among Hydrofarm Holdings Group, Inc., Hydrofarm Merger Sub, Inc. and Hydrofarm Investment Corp. |
| 3.1 | Amended and Restated Certificate of Incorporation of Hydrofarm Holdings Group, Inc. |
| 3.2 | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Hydrofarm Holdings Group, Inc.* |
| 3.3 | Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of Hydrofarm Holdings Group, Inc. |
| 3.4 | Amended and Restated Bylaws.* |
| 4.1 | Specimen Common Stock Certificate of the Hydrofarm Holdings Group, Inc. |
| 4.2 | Form of Warrant To Purchase Common Stock. |
| 4.3 | Form of Placement Agent Warrant to Purchase Common Stock. |
| 4.4 | Form of Registration Rights Agreement from Private Placement. |
| 4.5 | Investor Rights Agreement, dated August 28, 2018, by and among Hydrofarm Holdings LLC and certain of its stockholders identified on the signature pages thereto. |
| 4.6 | Amendment No. 1 to Investor Rights Agreement, dated November 10, 2020, by and among Hydrofarm Holdings LLC and certain of its stockholders identified on the signature pages thereto. |
| 5.1 | Opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.* |
| 10.1# | Loan And Security Agreement, dated May 12, 2017, by and between Hydrofarm Holdings LLC, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster LLC, and Bank of America, N.A. |
| 10.2# | Amended and Restated Loan and Security Agreement, dated November 8, 2017, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster LLC, GS Distribution Inc., SunBlaster Holdings ULC, EWGS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., and Bank of America, N.A. |
| 10.3# | Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement, dated May 18, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO, LLC, Hydrofarm Canada, LLC, GS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.4# | First Amendment To Forbearance Agreement And Second Amendment To Amended And Restated Loan And Security Agreement, dated July 16, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO LLC, Hydrofarm Canada, LLC, GS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.5# | Waiver And Third Amendment To Amended And Restated Loan And Security Agreement, dated August 24, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, GS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |

| Exhibit | Description |
|---|---|
| 10.6# | Fourth Amendment To Amended And Restated Loan And Security Agreement, dated March 15, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.7# | Fifth Amendment To Amended And Restated Loan And Security Agreement, dated May 31, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.8# | Sixth Amendment To Amended And Restated Loan And Security Agreement, dated June 10, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.9# | Seventh Amendment To Amended And Restated Loan And Security Agreement, dated June 27, 2020, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.10# | Payoff Letter, dated July 11, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO LLC, GS Distribution, Inc., EWGS Distribution, Inc., Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC, and Bank of America, N.A. |
| 10.11# | Credit Agreement dated, May 12, 2017, by and between Hydrofarm Holdings LLC (to be succeeded as a Borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster LLC) and Brightwood Loan Services LLC. |
| 10.12# | Forbearance Agreement and Amendment to Credit Agreement, dated May 18, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, Hydrofarm Canada, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |
| 10.13# | Amendment No. 1 Forbearance Agreement, dated July 16, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, Hydrofarm Canada, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |
| 10.14# | Waiver and Amendment No. 1 to Credit Agreement, dated September 21, 2017, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO LLC and Brightwood Loan Services LLC. |
| 10.15# | Amendment No. 2 to Credit Agreement, dated November 8, 2017, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster, LLC and Brightwood Loan Services LLC. |
| 10.16# | Waiver And Amendment No. 3 to Credit Agreement, dated August 24, 2018, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |
| 10.17# | Amendment No. 4 to Credit Agreement, dated March 15, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |
| 10.18# | Amendment No. 5 to Credit Agreement, dated July 11, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |
| 10.19# | Amendment No. 6 to Credit Agreement, dated October 15, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, and Brightwood Loan Services LLC. |

| Exhibit | Description |
|---|---|
| 10.20# | Loan And Security Agreement, dated July 11, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.21# | Intercreditor Agreement, dated July 11, 2019, by and between Brightwood Loan Services, LLC and Encina Business Credit, LLC. |
| 10.22# | First Amendment to Loan And Security Agreement, dated October 15, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.23# | Second Amendment to Loan And Security Agreement, dated November 26, 2019, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.24# | Third Amendment to Loan And Security Agreement, dated April 3, 2020, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.25# | Fourth Amendment to Loan And Security Agreement, dated May 29, 2020, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.26# | Fifth Amendment to Loan And Security Agreement, dated May 30, 2020, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.27# | Sixth Amendment to Loan And Security Agreement, dated September 30, 2020, by and among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, Hydrofarm Canada, LLC, Eddi's Wholesale Garden Supplies Ltd., SunBlaster Holdings ULC and Encina Business Credit, LLC. |
| 10.28+ | Employment Agreement, dated April 10, 2017, by and between Hydrofarm, LLC and Peter Wardenburg. |
| 10.29+ | Employment Agreement, dated April 23, 2018, by and between Hydrofarm, LLC and Bob Clamp. |
| 10.30+ | Employment Agreement, dated April 10, 2017, by and between Hydrofarm, Holdings Group LLC and Jeffrey Peterson. |
| 10.31+ | Employment Agreement, dated January 1, 2019, by and between Hydrofarm Holdings Group, Inc. and Bill Toler. |
| 10.32+ | Employment Agreement, dated March 4, 2019, by and between Hydrofarm Holdings Group, Inc. and Terence Fitch. |
| 10.33+ | Offer Letter, dated February 26, 2020, by and between Hydrofarm Holdings Group, Inc. and B. John Lindeman. |
| 10.34+ | Hydrofarm Holdings Group, Inc. 2018 Equity Incentive Plan. |
| 10.35+ | Form of Hydrofarm Holdings Group, Inc. 2018 Equity Incentive Plan Stock Option Grant Notice. |
| 10.36+ | Hydrofarm Holdings Group, Inc. 2019 Equity Incentive Plan. |
| 10.37+ | Form of Hydrofarm Holdings Group, Inc. 2019 Equity Incentive Plan Stock Option Grant Notice. |

| Exhibit | Description |
|---|---|
| 10.38+ | Hydrofarm Holdings Group, Inc. 2020 Equity Incentive Plan.* |
| 10.39+ | Form of Hydrofarm Holdings Group, Inc. 2020 Equity Incentive Plan Stock Option Notice.* |
| 10.40 | Form of Indemnification Agreement. |
| 10.41 | Placement Agency Agreement, dated August 3, 2018, by and among Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. and A.G.P./Alliance Global Partners, as lead placement agent, and Aegis Capital Corp., as co-placement agent. |
| 16.1 | Letter from MNP LLP regarding statements made in the registration statement concerning its dismissal. |
| 21.1 | Subsidiaries of Hydrofarm Holdings Group, Inc.* |
| 23.1 | Consent of Deloitte & Touche LLP, independent registered public accounting firm. |
| 23.2 | Consent of MNP, LLP, independent registered public accounting firm. |
| 23.3 | Consent of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (included in Exhibit 5.1).* |
| 24.1 | Power of Attorney (included on signature page to this registration statement). |

* To be filed by amendment.

\+ Indicates a management contract or compensatory plan.

\# Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or notes.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Petaluma, California, on the day of November 12, 2020.

**Hydrofarm Holdings Group, Inc.**

/s/ William Toler

William Toler
Chief Executive Officer
(Principal Executive Officer)

## POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William Toler and B. John Lindeman, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

| Name | Title | Date |
|---|---|---|
| /s/ William Toler<br>William Toler | Chief Executive Officer and Chairman of the Board<br>*(Principal Executive Officer)* | November 12, 2020 |
| /s/ B. John Lindeman<br>B. John Lindeman | Chief Financial Officer<br>*(Principal Financial and Accounting Officer)* | November 12, 2020 |
| /s/ Susan Peters<br>Susan Peters | Director | November 12, 2020 |
| /s/ Patrick Chung<br>Patrick Chung | Director | November 12, 2020 |
| /s/ Renah Persofsky<br>Renah Persofsky | Director | November 12, 2020 |
| /s/ Richard D. Moss<br>Richard D. Moss | Director | November 12, 2020 |

**Exhibit 2.1**

**AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER**

among

**HYDROFARM HOLDINGS GROUP, INC.**

*as Parent*

**HYDROFARM MERGER SUB, INC.**

*as Merger Sub*

and

**HYDROFARM INVESTMENT CORP.**

*as the Company*

dated as of

August 28, 2018

**AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER**

This Amended and Restated Agreement and Plan of Merger (this "**Agreement**"), is entered into as of August 28, 2018, by and among (a) Hydrofarm Investment Corp., a Delaware corporation (the "**Company**"), (b) Hydrofarm Holdings Group, Inc., a Delaware corporation ("**Parent**"), and (c) Hydrofarm Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("**Merger Sub**"). Capitalized terms used herein (including in the immediately preceding sentence) and not otherwise defined herein shall have the meanings set forth in Section 7.01 hereof. This Agreement amends and restates that certain Agreement and Plan of Merger, dated August 3, 2018, among the parties hereto.

**RECITALS**

WHEREAS, Parent, Merger Sub and the Company intend to effect a merger of Merger Sub with and into the Company (the "**Merger**") in accordance with this Agreement and the General Corporation Law of the State of Delaware (the "**DGCL**"), pursuant to which Merger Sub will cease to exist, and the Company will be the surviving company in the Merger (the "**Surviving Company**") and will become a wholly-owned subsidiary of Parent;

WHEREAS, Parent and the Company have entered into a Placement Agency Agreement with A.G.P./Alliance Global Partners ("**AGP**") and Aegis Capital Corp., sometimes doing business as SternAegis Ventures ("**Aegis**"), dated the date hereof (the "**PAA**"), pursuant to which Parent has commenced a private placement offering of units (the "**Units**"), with each unit priced at $2.50 per unit and consisting of (a) one (1) share of common stock of Parent, par value $0.0001 per share, and (b) a warrant entitling the holder to purchase one-half (1/2) share of common stock of Parent at an initial exercise price of $5.00 per full share (the "**Investor Warrants**"), with a minimum of 6,000,000 Units ($15,000,000), a maximum of 14,000,000 Units ($35,000,000) and an over-allotment of an additional 6,000,000 Units ($15,000,000) (the "**PPO**"), the initial closing of which shall be a condition precedent to the consummation of the Merger;

WHEREAS, for federal income tax purposes the parties intend that the Merger will qualify as a tax-free exchange under Section 351 of the Internal Revenue Code of 1986, as amended (the "**Code**") and/or a reorganization under Section 368(a) of the Code;

WHEREAS, the respective boards of directors of Parent, Merger Sub and the Company have each approved and adopted this Agreement and the transactions contemplated by this Agreement, in each case after making a determination that this Agreement and such transactions are advisable and fair to, and in the best interests of, such corporation and its stockholders; and

WHEREAS, the parties desire to make certain representations, warranties, and agreements in connection with the Merger and the transactions contemplated by this Agreement and the Merger.

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, and agreements contained in this Agreement, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**
**THE MERGER**

**Section 1.01 The Merger**. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with Section 251 of the DGCL, Merger Sub shall be merged with and into the Company at the Effective Time (as hereinafter defined). Following the Effective Time, the separate corporate existence of Merger Sub shall cease, and the Company shall continue as the Surviving Company and a wholly-owned subsidiary of Parent. The effects and consequences of the Merger shall be as set forth in this Agreement and the DGCL.

**Section 1.02 Closing; Effective Time; Termination**.

(a) The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place on a date and at a time to be mutually agreed upon by Parent and the Company, which date shall be no later than three (3) Business Days after the satisfaction or waiver of the last of the conditions set forth in Article V (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). The date on which the Closing is held is herein referred to as the "**Closing Date**." The Closing will be held at the offices of Littman Krooks LLP, 655 Third Avenue, 20th floor, New York, New York 10021, unless another place is agreed to in writing by the parties hereto.

(b) Subject to the provisions of this Agreement, upon satisfaction of all conditions to Closing, the parties shall duly prepare, execute and file a certificate of merger (the "**Certificate of Merger**") with the Secretary of State of the State of Delaware, complying with Section 251(c) of the DGCL with respect to the Merger. The Merger shall become effective upon the filing of the Certificate of Merger (the "**Effective Time**").

(c) Notwithstanding anything herein to the contrary, in the event the initial closing under the PPO is not effected within seventy-five (75) days (or one hundred sixty-five (165) days if the offering period of the PPO is extended pursuant to the PAA) after the Memorandum Finalization Date, the Company may unilaterally terminate this Agreement by written notice to Parent and Merger Sub. If this Agreement is terminated by the Company pursuant to the immediately preceding sentence, this Agreement shall be of no further force or effect and there shall be no liability on the part of any party to any other party under this Agreement, except that Section 6.03 (Publicity) and Article VII (Miscellaneous) shall survive such termination. Notwithstanding the foregoing, all applicable termination provisions contained in the PAA shall remain in full force and effect upon any termination event hereunder or under the PAA.

**Section 1.03 Effects of the Merger**. The Merger shall have the effects set forth in the DGCL, including without limitation, Section 259 of the DGCL. Without limiting the generality of the foregoing, from the Effective Time, (a) all of the properties, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Surviving Company, and (b) all debts, liabilities, obligations and duties of the Company and Merger Sub shall become the debts, liabilities, obligations and duties of the Surviving Company.

**Section 1.04 Certificate of Incorporation; By-Laws**. At the Effective Time: (a) the certificate of incorporation of the Company, as amended and in effect immediately prior to the Effective Time, shall be the certificate of incorporation of Surviving Company until thereafter amended in accordance with the terms thereof or as provided by applicable Law and (b) the bylaws of the Company as in effect immediately prior to the Effective Time shall be the bylaws of Surviving Company, until thereafter amended in accordance with the terms thereof or as provided by applicable Law. At the Effective Time, the certificate of incorporation of Parent shall be in the form attached hereto as Exhibit B.

**Section 1.05 Directors and Officers**. The directors and officers of Merger Sub immediately prior to the Effective Time shall be the directors and officers of Surviving Company at the Effective Time. Immediately following the Effective Time, the directors of the Surviving Corporation shall take all actions necessary to appoint the individuals set forth on Schedule 1.05 as the directors and officers of the Surviving Corporation, each to hold office in accordance with the provisions of the bylaws of the Surviving Corporation. The directors and officers of Parent immediately prior to the Effective Time shall submit their resignations to be effective as of the Effective Time, which resignations shall be a condition of the consummation of the Merger.

## ARTICLE II
## EFFECT OF THE MERGER ON CAPITAL STOCK

**Section 2.01 Effect of the Merger on Capital Stock and Warrants**. At the Effective Time, as a result of the Merger and without any action on the part of Parent, Merger Sub, or the Company or the holder of any capital stock or warrants of Parent, Merger Sub, or the Company:

(a) Each share of common stock of the Company, par value $0.001 per share ("**Company Common Stock**") outstanding immediately prior to the Effective Time shall be converted into those number of shares of capital stock of Parent ("**Parent Shares**") allocated in respect thereof set forth on the Merger Consideration Spreadsheet attached hereto as Exhibit A ("**Merger Consideration Spreadsheet**"). Each warrant to purchase Company Common Stock ("**Company Warrants**") outstanding immediately prior to the Effective Time shall be converted into warrants to purchase shares of capital stock of Parent ("**Parent Warrants**") allocated in respect thereof set forth on the Merger Consideration Spreadsheet attached hereto as Exhibit A, with such Parent Warrants to have the same terms as the Investor Warrants.

(b) Each share of common stock of Merger Sub, par value $0.001 per share outstanding immediately prior to the Effective Time shall be converted into one (1) share of common stock, par value $0.001 per share of Surviving Company.

(c) Each share of Company Common Stock that is held in treasury by the Company immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and shall cease to exist, and no consideration shall be delivered in exchange for such cancellation.

(d) At the Effective Time, all shares of Company Common Stock issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and such shares shall be cancelled and retired and shall cease to exist, and each certificate (a "**Certificate**") formerly representing any such shares of capital stock of the Company shall thereafter represent only the right to receive the applicable portion of the consideration payable pursuant to the Merger.

(e) At the Effective Time, all Company Warrants issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and such Company Warrants shall be cancelled and retired and shall cease to exist, and any warrant agreements representing the Company Warrants shall thereafter represent only the right to receive the applicable portion of the Parent Warrants payable pursuant to the Merger.

(f) At the Effective Time, all outstanding Class P Units shall be cancelled for no consideration.

**Section 2.02 Capital Stock of Parent**. Each Parent Share issued and outstanding immediately prior to the Effective Time shall remain outstanding following the consummation of the Merger.

**Section 2.03 Lost, Stolen or Destroyed Certificates**. In the event any Certificates shall have been lost, stolen or destroyed, the holder of such shares shall execute a lost certificate affidavit and agreement reasonably acceptable to the Parent to indemnify the Parent against any claim that may be made against the Parent on account of the alleged loss, theft or destruction of such Certificate.

**Section 2.04 Adjustments**. Without limiting the other provisions of this Agreement, if at any time during the period between the date of this Agreement and the Effective Time, any change in the number of outstanding shares of Parent (or securities convertible or exchangeable into or exercisable for shares) shall occur as a result of a reclassification, recapitalization, stock split (including a reverse stock split), or combination, exchange or readjustment of shares, merger or any stock dividend or stock distribution with a record date during such period, the consideration payable pursuant to the Merger shall be correspondingly adjusted to reflect such change.

## ARTICLE III
## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Memorandum or on the Disclosure Schedule attached as Exhibit C to this Agreement (the "**Disclosure Schedule**") (which Disclosure Schedule and the statements set forth therein shall be deemed to be part of the representations and warranties made hereunder), the Company represents and warrants to Parent and Merger Sub that the following representations and warranties are true as of the Effective Time:

**Section 3.01 Organization, Good Standing and Qualification**. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has the requisite corporate power to (i) execute and deliver this Agreement and (ii) own and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, except for those jurisdictions in which failure to do so would not have a Material Adverse Effect on the Company.

**Section 3.02** **Authorization**. The Company has all requisite power, authority and legal capacity to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Merger and the other transactions contemplated hereby. All corporate action on the part of the Company, its directors and its stockholders necessary for the authorization, execution, delivery and performance of this Agreement by the Company and the performance of the Company's obligations hereunder, has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and, with respect to rights to indemnity, subject to federal and state securities laws.

**Section 3.03** **Governmental Consents, Licenses, etc**. All consents, approvals, orders or authorizations of, or registrations, qualifications, designations, declarations or filings with, any governmental authority, required on the part of the Company in connection with the valid execution and delivery of this Agreement shall have been obtained and will be effective at the Closing, other than filings relating to federal and state securities laws that may be made after the Closing. The Company has obtained all material licenses, permits and other governmental authorizations necessary to conduct its business as presently conducted. The Company has not received any written notice of any violation of, or noncompliance with, any federal, state, local or foreign laws, ordinances, regulations and orders (including, without limitation, those relating to environmental protection, occupational safety and health, securities laws, equal employment opportunity, consumer protection, credit reporting, "truth-in-lending", and warranties and trade practices) applicable to its business, the violation of, or noncompliance with, would have a Material Adverse Effect on the Company, and the Company knows of no facts or set of circumstances which could give rise to such a notice.

**Section 3.04** **Capital Stock**. The authorized capital stock of the Company consists of 150,000,000 shares of Company Common Stock. The capitalization table attached hereto as Schedule 3.04 reflects, as of the date of this Agreement, a complete and accurate list of Common Stock indicating (a) the number of shares of Company Common Stock issued and outstanding and (b) any options, warrants, rights, agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance or redemption of any of its capital stock and each of (a) and (b) is consistent with the books and records of the Company. The Company does not have any other authorized class or classes of securities of any kind, whether debt or equity. All of the shares of capital stock of the Company are validly issued, fully paid and non-assessable and have not been issued in violation of any preemptive rights or other rights to subscribe for, purchase or otherwise acquire securities.

**Section 3.05** **No Violation or Default**. The Company is not: (a) in violation of its Certificate of Incorporation or By-laws; (b) in default of any indenture, mortgage, deed of trust, note or other agreement or instrument to which the Company is a party or by which it is bound, the default of which could reasonably be expected to have a Material Adverse Effect on the Company; (c) to the Company's knowledge in violation of any statute, rule or regulation applicable to the Company, the violation of which would have a Material Adverse Effect on the Company; or (d) in violation of any judgment, decree or order of any court or governmental body having jurisdiction over the Company and specifically naming the Company, which violation or violations individually, or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Company.

**Section 3.06** **Compliance with Other Instruments**. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby will not result in the creation of any lien, charge or encumbrance upon any assets of the Company or the breach, suspension, revocation, impairment, forfeiture or nonrenewal of any agreement, permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties. Without limiting the foregoing, the Company has obtained all waivers necessary with respect to any preemptive rights, rights of first refusal or similar rights, including any notice or offering periods provided for as part of any such rights, in order for the Company to consummate the transactions contemplated hereunder without any third party obtaining any rights to cause the Company to offer or issue any securities of the Company as a result of the consummation of the transactions contemplated hereunder.

**Section 3.07** **Litigation**. There is no litigation or proceeding before, or investigation by, any foreign, federal, state or municipal board or other governmental or administrative agency or any arbitrator pending or, to the knowledge of the Company, threatened (nor to the knowledge of the Company, does any basis exist therefor) against the Company or, to the Company's knowledge, any officer or director of the Company.

**Section 3.08** **Indebtedness**. Except as set forth in the Memorandum, the Company (a) has no outstanding Indebtedness (as defined herein) in excess of $100,000, (b) is not a party to any contract, agreement or instrument, the violation of which, or default under which, by the other party(ies) to such contract, agreement or instrument would result in a Material Adverse Effect on the Company, or (c) is not in violation of any term of or in default under any contract, agreement or instrument relating to any Indebtedness, except where such violations and defaults would not result, individually or in the aggregate, in a Material Adverse Effect on the Company.

**Section 3.09** **Company Agreements**. Except as set forth in the Memorandum, no material default by the Company or, to the knowledge of the Company, any other party, exists in the due performance under any material agreement to which the Company is a party (collectively, the "**Company Agreements**"). The Company Agreements are in full force and effect in accordance with their respective terms, subject to any applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally and to general equitable principles and the availability of specific performance.

**Section 3.10** **Intellectual Property**. The Company owns all right, title and interest in, or possesses enforceable rights to use, all patents, patent applications, trademarks, service marks, copyrights, rights, licenses, franchises, trade secrets, confidential information, processes and formulations necessary for the conduct of its business as now conducted (collectively, the "**Intellectual Property**"). To the knowledge of the Company, the Company has not materially infringed upon the rights of others with respect to the Intellectual Property and, the Company has not received written notice that it has or may have infringed or is infringing upon the rights of others with respect to the Intellectual Property, or any written notice of conflict with the asserted rights of others with respect to the Intellectual Property. To the knowledge of the Company, all such Intellectual Property is enforceable and no others have materially infringed upon the rights of the Company with respect to the Intellectual Property. None of the Company's material Intellectual Property have expired or terminated, or are expected to expire or terminate within three years from the date of this Agreement. All current and former officers, employees, consultants and independent contractors of the Company having access to proprietary information of the Company, its customers or business partners and inventions owned by the Company have executed and delivered to the Company an agreement regarding the protection of such proprietary information. The Company has secured, by valid written assignments from all of the Company's current and former consultants, independent contractors and employees who were involved in, or who contributed to, the creation or development of any Intellectual Property, unencumbered and unrestricted exclusive ownership of each such third party's Intellectual Property in their respective contributions. No current or former employee, officer, director, consultant or independent contractor of the Company has any right, license, claim or interest whatsoever in or with respect to any Intellectual Property.

**Section 3.11** **Taxes**. The Company has filed each material federal, state, local and foreign tax return, report and declarations that was required to be filed, or has requested an extension therefor and has paid all taxes and all related assessments, charges, penalties and interest to the extent that the same have become due. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax, which waiver remains in effect. To the Company's knowledge, none of the Company's tax returns are presently being audited by any taxing authority. No liens have been filed and no claims are being asserted by or against the Company with respect to any taxes (other than liens for taxes not yet due and payable). The Company has not received written notice of assessment or proposed assessment of any taxes claimed to be owed by it or any other Person on its behalf. The Company is not a party to any tax sharing or tax indemnity agreement or any other agreement of a similar nature that remains in effect. The Company has complied in all material respects with all applicable legal requirements relating to the payment and withholding of taxes and, within the time and in the manner prescribed by law, has withheld from wages, fees and other payments and paid over to the proper governmental or regulatory authorities all amounts required.

**Section 3.12** **Ordinary Course Operations**. Subsequent to the respective dates as of which information is given in the Memorandum, the Company has operated its business in the ordinary course and, except as may otherwise be set forth in the Memorandum, there has been no: (a) Material Adverse Effect on the Company; (b) transaction otherwise than in the ordinary course of business consistent with past practice; (c) issuance of any securities (debt or equity) or any rights to acquire any such securities other than pursuant to equity incentive plans approved by the Company's board of directors; (d) material damage, loss or destruction, whether or not covered by insurance, with respect to any asset or property of the Company; or (e) agreement to permit any of the foregoing.

**Section 3.13** **Insider Loans.** As of the date of this Agreement, no current or former stockholder, director, officer or employee of the Company, nor any affiliate of any such person is presently, directly or indirectly through his affiliation with any other person or entity, a party to any loan from the Company or any other transaction (other than as an employee) with the Company providing for the furnishing of services by, or rental of any personal property from, or otherwise requiring cash payments to any such person.

**Section 3.14 Contributions, Payments**. Neither the Company, nor any director, officer, agent, employee or other person acting on behalf of the Company has, in the course of its actions for, or on behalf of, the Company (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (c) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (d) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub hereby represent and warrant to the Company as of the Effective Time as follows:

**Section 4.01 Organization and Standing.** Parent is a corporation duly organized and validly existing under the laws of the State of Delaware and is in good standing under such laws. Parent has the requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted. Merger Sub is a corporation duly organized and validly existing under the laws of the State of Delaware and is in good standing under such laws. Merger Sub has the requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted.

**Section 4.02 Corporate Power**. Parent and Merger Sub have all requisite legal and corporate power and authority to (a) execute and deliver this Agreement, (b) carry out and perform its obligations under the terms of this Agreement and (c) consummate the Merger and the other transactions contemplated hereby.

**Section 4.03 Authorization.** All corporate action on the part of Parent, Merger Sub and their respective officers, directors and stockholders necessary for the authorization, execution, delivery and performance by Parent and Merger Sub of this Agreement and to consummate the Merger and the other transactions contemplated by this Agreement, has been taken or will be taken as of the Effective Time. This Agreement, when executed and delivered by Parent and Merger Sub, shall constitute valid and binding obligations of Parent and Merger Sub, enforceable in accordance with its terms, except (a) as limited by laws of general application relating to bankruptcy, insolvency and the relief of debtors and (b) as limited by rules of law governing specific performance, injunctive relief or other equitable remedies and by general principles of equity.

**Section 4.04 Governmental Consents and Filings.** No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of Parent or Merger Sub is required in connection with the valid execution and delivery of this Agreement or the consummation of the Merger and the other transactions contemplated by this Agreement, except (a) filing of the Certificate of Merger with the office of the Secretary of State of the State of Delaware, and (b) any reports under the Exchange Act, Securities Act and applicable state securities laws as may be required in connection with this Agreement, the Merger, and the other transactions contemplated by this Agreement.

**Section 4.05** **Brokers or Finders**. Neither Parent nor Merger Sub has, nor will they incur, directly or indirectly, as a result of any action taken by Parent or Merger Sub, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement.

**Section 4.06** **No Liabilities**. Neither Parent nor Merger Sub has any outstanding liabilities other than those incurred to its legal counsel in connection with the transactions set forth in this Agreement.

## ARTICLE V
## CLOSING CONDITIONS

**Section 5.01** **Conditions Precedent to the Obligations of each Party to Effect the Merger**. Each party's obligations to effect the Merger and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver, at or prior to the Closing, of each of the following conditions:

(a) **No Injunctions or Restraints**. No temporary restraining order, preliminary or permanent injunction or other material legal restraint or prohibition issued or promulgated by a governmental body preventing the consummation of the transactions shall be in effect, and there shall not be any legal requirement enacted or deemed applicable to the transactions that makes consummation of the transactions illegal.

(b) **PBCO Merger**. The merger of PBCO, Inc., a Delaware corporation, into the Company shall have been consummated.

(c) **Private Placement Offering**. The initial closing under the PPO of Parent, in a minimum amount of Fifteen Million Dollars ($15,000,000) shall have been effected.

(d) **No Litigation**. No material pending or threatened litigation against Parent, Merger Sub or the Company shall have occurred between the date hereof and the Effective Time.

(e) **Consent from Lenders and New Loan Facilities**. The Company or its subsidiaries, as applicable, shall (a) have obtained the requisite written consents to the transactions contemplated in this Agreement and the PPO transaction from the requisite lenders under, and (b) shall have entered into amendments and/or new definitive agreements with respect to, its asset based revolving credit facility with Bank of America, N.A., dated May 12, 2017, and as amended on November 7, 2016 and May 18, 2018, and its term loan agreement with Brightwood Loan Services, LLC, dated November 8, 2017, and as amended on May 18, 2018, all on terms reasonably acceptable to the Company, Parent, AGP and Aegis.

(f) **Board of Directors and Officers of Parent**. As of the Effective Time, (a) the board of directors of Parent shall consist of eight (8) members as follows: Michael Serruya, Aaron Serruya, Simon Serruya, Chris Payne, Michael Rapp, John Tomes, Peter Wardenburg and one (1) independent director designated by AGP and Aegis in accordance with the provisions of the PAA, and (b) Peter Wardenburg shall be duly appointed as President and Chief Executive Officer of Parent, Bob Clamp shall be duly appointed as Chief Operating Officer of Parent and Jeff Peterson shall be duly appointed as Chief Financial Officer of Parent.

(g) **Other Consents**. On or before the Closing Date, Parent, Merger Sub and the Company have each obtained and delivered, as applicable, all necessary board, shareholder and third-party consents required to consummate the transactions contemplated by this Agreement.

**Section 5.02 Conditions to Obligations of Parent and Merger Sub**. The obligations of Parent and Merger Sub to effect the Merger and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction or written waiver, at or prior to the Closing, of each of the following conditions:

(a) **Representations and Warranties of Company**. The representations and warranties of the Company contained in this Agreement will be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties refer to an earlier date, in which case as of such earlier date).

(b) **Company Covenants**. The Company shall have performed or complied with in all material respects all covenants and other obligations required to be performed by or complied with under this Agreement on or prior to the Closing Date (with materiality being measured individually and on an aggregate basis with respect to all breaches of covenants and obligations).

(c) **No Material Adverse Change**. No material adverse change in the Company's business shall have occurred from the date hereof until the Effective Time.

(d) **Officer Certificate**. Parent shall have received a certificate from the Company, validly executed by the Chief Executive Officer of the Company for and on the Company's behalf, to the effect that, as of the Closing the conditions set forth in Sections 5.02(a), 5.02(b) and 5.02(c) have been satisfied.

(e) **Shareholder Consent**. The Company shall have obtained the consent of the shareholders required by the Company's Charter Documents.

(f) **Due Diligence**. Satisfactory completion of all necessary business, technical, and legal due diligence of the Company.

(g) **Certificate of Validation**. On or before the Closing Date, the Company shall deliver evidence reasonable satisfactory to Parent that the Certificate of Validation of the Company filed with the Secretary of State of the State of Delaware relating to the amendment of the authorized capital stock of the Company has been accepted by the Secretary of State of the State of Delaware.

**Section 5.03 Conditions to Obligations of the Company**. The obligation of the Company to effect the Merger and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions:

(a) **Representations and Warranties of Parent and Merger Sub**. The representations and warranties of Parent and Merger Sub contained in this Agreement will be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties refer to an earlier date, in which case as of such earlier date).

(b) **Parent and Merger Sub Covenants**. Parent and Merger Sub shall have performed or complied with in all material respects all covenants and other obligations required to be performed by or complied with under this Agreement on or prior to the Closing Date (with materiality being measured individually and on an aggregate basis with respect to all breaches of covenants and obligations).

(c) **No Material Adverse Change**. No material adverse change to Parent's financial condition, in the sole discretion of the Company, shall have occurred from the date hereof until the Effective Time.

(d) **Officer Certificate**. The Company shall have received a certificate from the Parent, validly executed by the Chief Executive Officer of the Parent for and on the Parent's behalf, to the effect that, as of the Closing the conditions set forth in Sections 5.03(a), 5.03(b) and 5.03(c) have been satisfied.

(e) **Shareholder Consent**. Merger Sub shall have obtained the consent of Parent, its sole shareholder.

(f) **Certificate of Incorporation of Parent**. Immediately prior to the Closing Date, Parent shall file the certificate of incorporation of Parent in the form attached hereto as Exhibit B with the Secretary of State of the State of Delaware.

(g) **No Outstanding Liabilities of Parent**. Except for accrued franchise tax obligations, Parent and Merger Sub shall have no more than $50,000 in outstanding liabilities, all resulting from legal services rendered in connection with this Agreement, which will be paid at the Effective Date.

## ARTICLE VI
## COVENANTS

**Section 6.01 Conduct of Business Pending Closing**. From the date hereof until the Closing, the Company will, except as otherwise set forth in the Memorandum:

(a) maintain its existence in good standing;

(b) maintain the general character of its business and properties and conduct its business in the Ordinary Course of Business, except as otherwise expressly permitted by this Agreement;

(c) maintain its business and accounting records consistent with past practices;

(d) file with the appropriate taxing authorities all material tax returns required to be filed, and pay all material taxes due, before the Closing Date; and

(e) use commercially reasonable efforts to (i) preserve its business intact, and (ii) keep available to the Company the services of its present officers.

**Section 6.02 Prohibited Actions Pending Closing**. Except as otherwise set forth in the Memorandum, unless otherwise expressly permitted herein or approved by Parent in writing, from the date hereof until the Closing, the Company shall not:

(a) declare, set aside or pay any dividend or other distribution in respect of any shares of capital stock of the Company;

(b) take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Parent relating to the sale or issuance, of any of the capital stock of the Company or the acquisition, sale, lease, license or other disposition of the Company or any material part of the stock or assets of the Company, or (ii) enter into any discussions, negotiations or execute any agreement related to any of the foregoing;

(c) merge, consolidate or adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization involving the Company, other than the Merger;

(d) split, combine or reclassify any shares of capital stock of the Company or amend the terms of any capital stock of the Company;

(e) change accounting or tax reporting principles, methods or policies of the Company;

(f) enter into any transaction other than in the Ordinary Course of Business;

(g) (i) mortgage, pledge or subject to any lien any of its assets, or (ii) acquire any assets or sell, assign, transfer, convey, lease or otherwise dispose of any assets of the Company, except, in the case of clause (ii), in the Ordinary Course of Business;

(h) issue, create, incur, assume, guarantee, endorse or otherwise become liable or responsible with respect to (whether directly, contingently, or otherwise) any Indebtedness where such Indebtedness of the Company exceeds, in the aggregate, $100,000 other than legal fees and expenses in connection with the Merger and the PPO;

(i) negotiate with any other placement agent or underwriter with respect to a private offering of the Company's debt or equity securities; or

(j) agree, commit, arrange or enter into any understanding to do anything set forth in this Section 6.02.

**Section 6.03** **Publicity**. No party to this Agreement shall directly or indirectly make any public announcement or statement regarding this Agreement or the transactions contemplated hereby without the prior consent of Parent and the Company, such consent not to be unreasonably withheld, except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange or automated quotation system, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance.

**Section 6.04** **Further Assurances**. From time to time, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further actions, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

**Section 6.05** **Tax Treatment**. The parties to this Agreement intend that the Merger will qualify as a tax-free exchange under Section 351 of the Code and/or as a reorganization under Section 368(a) of the Code (in which case the parties hereby adopt this Agreement as a "plan of reorganization" described under Sections 354 and 361 of the Code). The parties agree to file all Tax Returns consistent with such treatment, unless otherwise required by applicable Law.

## ARTICLE VII
## MISCELLANEOUS

**Section 7.01** **Definitions**. For purposes of this Agreement, the following terms will have the following meanings when used herein with initial capital letters:

"**Aegis**" has the meaning set forth in the Recitals.

"**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

"**AGP**" has the meaning set forth in the Recitals. "**Agreement**" has the meaning set forth in the Preamble.

"**Business Day**" means any day, other than Saturday, Sunday, or any day on which banking institutions located in New York, New York are authorized or required by Law or other governmental action to close.

"**Certificate of Merger**" has the meaning set forth in Section 1.02.

"**Charter Documents**" means the certificate of incorporation (including certificates of designation), by-laws, or like organizational documents, each as amended, of any Person.

"**Class P Units**" means the Class P Units of Hydrofarm Holdings, LLC.

"**Company**" has the meaning set forth in the Preamble.

"**Company Common Stock**" has the meaning set forth in the Recitals.

"**DGCL**" has the meaning set forth in Recitals.

"**Disclosure Schedule**" has the meaning set forth in the first paragraph of Article III.

"**Effective Time**" has the meaning set forth in Section 1.02.

"**Exchange Act**" means the Securities and Exchange Act of 1934, as amended.

"**GAAP**" means United States generally accepted accounting principles applied on a consistent basis throughout the periods indicated as in effect as of the date hereof

"**Indebtedness**" means with respect to any Person without duplication, (a) all indebtedness for borrowed money, (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services including (without limitation) "Capital Leases" (as defined under GAAP) (other than trade payables entered into in the ordinary course of business), (c) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (f) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, and (g) all indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness.

"**Laws**" means any federal, state, local, municipal, foreign, multi-national or other laws, common law, statutes, constitutions, ordinances, rules, regulations, codes, orders, or legally enforceable requirements enacted, issued, adopted, promulgated, enforced, ordered, or applied by any governmental entity.

"**Legal Action**" means any suit, action, proceeding, arbitration, mediation, audit, hearing, inquiry or, to the knowledge of the Person in question, investigation (in each case, whether civil, criminal, administrative, investigative, formal, or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any governmental entity.

"**Material Adverse Effect**" means, with respect to each party, a material adverse effect on (a) the financial condition, business, assets, prospects or results of operations of the party, taken as a whole, (b) the ability of the party to perform its obligations under this Agreement or (c) the ability of the party to consummate the Merger and the other transactions contemplated hereby; provided, however, that in no event shall any change resulting from conditions affecting the industry in which such party operates or from changes in general business or economic conditions be taken into account in determining whether there has been a Material Adverse Effect except to the extent such change has a disproportionate impact on the applicable party relative to other businesses operating in the same industry.

"**Memorandum**" means that certain Confidential Private Placement Memorandum of the Parent dated on or about August 3, 2018, as may be amended or supplemented from time to time.

"**Memorandum Finalization Date**" means August 3, 2018.

"**Merger**" has the meaning set forth in the Recitals.

"**Merger Consideration Spreadsheet**" has the meaning set forth in Section 2.01(a).

"**Ordinary Course of Business**" means the ordinary and usual course of day-to-day operations of the business of the Company through the date hereof consistent with past practice.

"**PAA**" has the meaning set forth in the Recitals.

"**Parent Shares**" has the meaning set forth in Section 2.01(a).

"**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

"**PPO**" has the meaning set forth in the Recitals.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Surviving Company**" has the meaning set forth in the Recitals.

"**Transaction Agreements**" means this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed in connection with the transactions contemplated by this Agreement.

**Section 7.02 Interpretation; Construction**.

(a) The headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section, Exhibit, Article, or Schedule, such reference shall be to a Section of, Exhibit to, Article of, or Schedule of this Agreement unless otherwise indicated. Unless the context otherwise requires, references herein: (i) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (ii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," and the word "or" is not exclusive. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and does not simply mean "if." A reference in this Agreement to $ or dollars is to U.S. dollars. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. The words "hereof," "herein," "hereby," "hereto," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to "this Agreement" shall include the Disclosure Schedule.

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

**Section 7.03 Fees and Expenses**. The Parent and Merger Sub, on the one hand, and the Company, on the other hand, shall each pay all of their own costs and expenses incurred in connection with this Agreement and the Transaction Agreements and the transactions contemplated hereby and thereby.

**Section 7.04 Survival of Representations and Warranties**. The representations and warranties of the parties contained in this Agreement, any certificate delivered pursuant hereto or any Transaction Agreement shall survive the Closing for a period of two years from the earlier to occur of the final closing of the PPO (as contemplated by the transaction documents governing the PPO) or the termination of the PPO.

**Section 7.05 Further Assurances; Transfer of Name**. From time to time after the Effective Time, the parties shall execute and deliver or cause to be executed and delivered, such documents, deeds and other instruments, and shall take or cause to be taken such further or other action, as Parent shall reasonably request or shall be necessary or desirable in order to (a) vest or perfect in or to confirm, of record or otherwise, in Parent title to, and possession of, all of the property, rights, privileges, powers, immunities and franchises of the Company, (b) transfer the name "Hydroform Investment Corp." and related marks (in any style or design) used in connection with the Company's business to Parent and otherwise carry out the purposes of this Agreement.

**Section 7.06 No Finder's Fees; Indemnification**. Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction. Parent and Merger Sub agree to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which Parent, Merger Sub or any of their respective officers, employees or representatives is responsible. The Company agrees to indemnify and hold harmless Parent and Merger Sub from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

**Section 7.07 Governing Law**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

**Section 7.08** **Submission to Jurisdiction**. Each of the parties hereto irrevocably agrees that any Legal Action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by any other party hereto or its successors or assigns shall be brought and determined exclusively in the Delaware Court of Chancery in New Castle County, or in the event (but only in the event) that such court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware. Each of the parties hereto agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in this Section 7.08 or in such other manner as may be permitted by applicable Laws, will be valid and sufficient service thereof. Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court or tribunal other than the aforesaid courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim, or otherwise, in any action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder: (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve process in accordance with this Section 7.08; (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise); and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

**Section 7.09** **Waiver of Jury Trial**. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT: (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY; AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.

**Section 7.10** **Notices**. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt, or (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next Business Day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) Business Day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next Business Day delivery, with written verification of receipt. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 7.10):

If to Parent or Merger Sub, to:

c/o Hydrofarm Holdings Group, Inc.
6000 Collins Avenue, #105,
Miami Beach, FL 33140
Attn: CEO

with a copy (which will not
constitute notice to Parent or
Merger Sub) to:

Littman Krooks LLP
655 Third Avenue
New York, NY 10017
Attn: Steven Uslaner, Esq.

If to the Company, to:
Hydrofarm Investment Corp.
2249 S. McDowell Ext.
Petaluma, CA 94954
Attn: Peter Wardenburg, CEO

with a copy (which will not
constitute notice to
Company) to:

Perkins Coie LLP
1900 Sixteenth Street, Suite 1400
Denver, Colorado 80202-5255
Attn: Garland (Sonny) W. Allison, Esq.

or to such other Persons, addresses or facsimile numbers as may be designated in writing by the Person entitled to receive such communication as provided above.

**Section 7.11** **Entire Agreement**. This Agreement (including the Exhibits to this Agreement and the Disclosure Schedule) constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all other prior agreements and understandings, both written and oral, among the parties to this Agreement with respect to the subject matter of this Agreement. In the event of any inconsistency between the statements in the body of this Agreement and the Disclosure Schedule (other than an exception expressly set forth as such in the Disclosure Schedule), the statements in the body of this Agreement will control.

**Section 7.12** **No Third Party Beneficiaries**. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and respective successors and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement. Notwithstanding the foregoing, it is expressly agreed that each of AGP and Aegis shall be a third party beneficiary with respect to Sections 3, 4 and 6 of this Agreement

**Section 7.13** **Severability**. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

**Section 7.14** **Assignment**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned, or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

**Section 7.15** **Amendment; Waiver**. This Agreement may be amended, modified or waived only by the written agreement of Parent, Merger Sub and the Company. No failure or delay of any party to exercise any right or remedy given to such party under this Agreement or otherwise available to such party or to insist upon strict compliance by any other party with its obligations hereunder, no single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of any party's right to demand exact compliance with the terms hereof. Any written waiver shall be limited to those items specifically waived therein and shall not be deemed to waive any future breaches or violations or other non-specified breaches or violations unless, and to the extent, expressly set forth therein.

**Section 7.16** **Remedies**. Except as otherwise provided in this Agreement, any and all remedies expressly conferred upon a party to this Agreement will be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at Law, or in equity. The exercise by a party to this Agreement of any one remedy will not preclude the exercise by it of any other remedy.

**Section 7.17** **Specific Performance**. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any federal court located in the State of Delaware or any Delaware state court, in addition to any other remedy to which they are entitled at Law or in equity.

**Section 7.18 Counterparts; Effectiveness**. This Agreement may be executed in any number of counterparts, all of which will be one and the same agreement. This Agreement will become effective when each party to this Agreement will have received counterparts signed by all of the other parties. Facsimile copies of signed signature pages will be deemed binding originals.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**COMPANY:**

HYDROFARM INVESTMENT CORP.

By /s/ Michael Serruya
Name: Michael Serruya
Title: President

**PARENT:**

HYDROFARM HOLDINGS GROUP, INC.

By /s/ Todd Van Emburgh
Name: Todd Van Emburgh
Title: President

**MERGER SUB:**

HYDROFARM MERGER SUB, INC.

By /s/ Todd Van Emburgh
Name: Todd Van Emburgh
Title: President

**EXHIBIT A**

**MERGER CONSIDERATION SPREADSHEET**

| | Common Stock | | Warrants | |
|---|---|---|---|---|
| **Stockholder** | **Company Common Stock Owned** | **Parent Shares to be Received in Merger (Consideration)** | **Company Warrants Owned - Underlying Common Stock** | **Parent Warrants to be Received in Merger - Underlying Common Stock (Consideration)(1)** |
| Wardenburg 2009 Family Trust | 14,583,958 | 7,004,606 | 816,979 | 816,979 |
| *Serruya Investors* | | | | |
| 2118769 Ontario Inc. | 13,105,649 | 5,789,678 | 302,829 | 302,829 |
| Fruzer Inc. | 13,105,659 | 5,789,682 | 302,829 | 302,829 |
| 2208742 Ontario Inc. | 13,105,659 | 5,789,682 | 302,829 | 302,829 |
| 2208744 Ontario Inc. | 13,105,659 | 5,789,682 | 302,829 | 302,829 |
| *Original Broadband Investors* | | | | |
| HF I Investments LLC | 9,452,286 | 3,920,069 | -- | -- |
| HF II Investments LLC | 3,891,780 | 1,614,006 | -- | -- |
| HF III Investments LLC | 11,655,934 | 4,833,970 | -- | -- |
| *New Broadband Investors* | | | | |
| John A. Elway Revocable Trust | 120,000 | 120,000 | 60,000 | 60,000 |
| Michael Balducci | 80,000 | 80,000 | 40,000 | 40,000 |
| William D. Morehead | 120,000 | 120,000 | 60,000 | 60,000 |
| The Novo Agency LLC | 40,000 | 40,000 | 20,000 | 20,000 |
| Chambers Family Living Trust | 20,000 | 20,000 | 10,000 | 10,000 |
| Renat Gibadullin | 20,012 | 20,012 | 10,006 | 10,006 |
| Post Road Equity LLC | 600,000 | 600,000 | 300,000 | 300,000 |
| Printech LLC | 20,000 | 20,000 | 10,000 | 10,000 |
| Jeffrey Springer | 12,000 | 12,000 | 6,000 | 6,000 |
| Timothy P. Hanley | 10,000 | 10,000 | 5,000 | 5,000 |
| Universal Commodities, Inc. | 10,000 | 10,000 | 5,000 | 5,000 |
| Jacob H. Widlitz | 20,000 | 20,000 | 10,000 | 10,000 |
| The Woodland Trust | 40,000 | 40,000 | 20,000 | 20,000 |
| Donald Zoltan | 160,000 | 160,000 | 80,000 | 80,000 |
| *Hawthorn Investors* | | | | |
| Hawthorn LP | 10,500,913 | 4,648,128 | 250,454 | 250,454 |
| Hydrofarm Co-Investment Fund, LP | 4,816,466 | 2,118,626 | 103,483 | 103,483 |
| Arch Street Holdings I, LLC | 733,917 | 324,222 | 16,958 | 16,958 |
| Payne Capital Corp. | 524,225 | 231,583 | 12,110 | 12,110 |
| **Total** | **109,854,117** | **49,125,946** | **3,047,306** | **3,047,306** |

(1) Warrants issued in the merger will have the same terms as the Investor Warrants (as defined in the PAA).

**EXHIBIT B**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**
**OF**
**HYDROFARM HOLDINGS GROUP, INC.**

Hydrofarm Holdings Group, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware (the "Secretary of State") on January 3, 2017. An amendment to the original certificate of incorporation of the Corporation was filed with the Secretary of State on August 3, 2018. A certificate of correction to the original certificate of incorporation of the Corporation, as amended, was filed with the Secretary of State on August 8, 2018 (as amended to date, the "Original Certificate"). The name under which the Corporation was originally incorporated was Innovation Acquisition One Corp.

2. This Amended and Restated Certificate of Incorporation (this "Certificate") was duly adopted by the board of directors of the Corporation (the "Board of Directors") and by the stockholders of the Corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL").

3. The Original Certificate is hereby amended and restated in its entirety to read as follows:

**ARTICLE I: NAME**

The name of the corporation is Hydrofarm Holdings Group, Inc.

**ARTICLE II: REGISTERED OFFICE**

The address of the Corporation's registered office in the State of Delaware is 850 New Burton Road, Suite 201, Dover, DE 19904, Kent County; and the name of the registered agent of the Corporation in the State of Delaware at such address is Cogency Global Inc. The Corporation shall have the authority to designate registered offices and registered agents in other jurisdictions and to change its registered office and registered agent in the State of Delaware.

**ARTICLE III: PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV: CAPITALIZATION**

**A. Capital Stock**

The total number of shares of capital stock which the Corporation shall have authority to issue is Three Hundred Fifty Million (350,000,000), of which (i) Three Hundred Million (300,000,000) shares shall be a class designated as common stock, par value $0.0001 per share (the "Common Stock"), and (ii) Fifty Million Shares (50,000,000) shares shall be a class designated as preferred stock, par value $0.0001 per share (the "Preferred Stock").

The number of authorized shares of Common Stock or Preferred Stock may from time to time be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holder is required pursuant to this Certificate (including pursuant to any certificate of designation of any series of Preferred Stock).

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

**B. Common Stock**

1. Voting. Each holder of record of Common Stock, as such, shall have one vote for each share of Common Stock which is outstanding in his, her or its name on the books of the Corporation on all matters on which stockholders are entitled to vote generally. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate (including any certificate of designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

2. Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board of Directors or any authorized committee thereof.

3. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such dissolution, liquidation or winding up of the Corporation, the holders of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

**C. Preferred Stock**

Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide from time to time, out of the authorized, unissued shares of Preferred Stock, for one or more series of Preferred Stock, and, with respect to each such series, to fix, without further stockholder approval, the designation of such series, and the powers (including voting powers, if any), preferences and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series of Preferred Stock, and unless otherwise provided in the designation of such series, the Board of Directors may increase (but not above the total number of authorized shares of Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of such series, and if the number of shares of such series shall be decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The powers, preferences and relative, participating, optional and other special rights of, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock, if any, may differ from those of any and all other series at any time outstanding. Except as otherwise required by law, holders of any series of Preferred Stock shall be entitled to only such voting rights, if any, as shall expressly be granted thereto by this Certificate (including any certificate of designation relating to such series of Preferred Stock).

**ARTICLE V: DIRECTORS**

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.

2. Election of Directors. Election of directors comprising the Board of Directors (each such director, in such capacity, a "Director") need not be by written ballot unless the Bylaws of the Corporation (the "Bylaws") shall so provide.

3. Number of Directors; Term of Office. Except as otherwise provided for or fixed pursuant to the provisions of Article IV of this Certificate (including any certificate of designation of any series of Preferred Stock) and this Article V relating to the rights of the holders of any series of Preferred Stock to elect additional Directors, the number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors, other than those who may be elected by the holders of any series of Preferred Stock, shall be elected at each annual meeting of stockholders for a term of one year. Each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

   During any period when the holders of any series of Preferred Stock have the right to elect additional Directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to said provisions, and (ii) each such additional Director shall serve until such Director's successor shall have been duly elected and qualified, or until such Director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional Directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total authorized number of Directors of the Corporation shall be reduced accordingly.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, or by a single remaining Director, and not by the stockholders. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the Director for which the vacancy was created or occurred and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal.

5. Removal. Subject to the rights, if any, of any series of Preferred Stock to elect Directors and to remove any Director whom the holders of any such stock have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office only (i) for cause and (ii) by the affirmative vote of the holders of at least a majority in voting power of the shares then entitled to vote at an election of Directors.

**ARTICLE VI: LIMITATION OF DIRECTOR LIABILITY; INDEMNIFICATION AND ADVANCEMENTS OF EXPENSES; RENUNCIATION OF CORPORATE OPPORTUNITIES**

**A. Limitation on Liability**

To the fullest extent that the DGCL or any other law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of Directors, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director.

**B. Indemnification and Advancement of Expenses**

The Corporation shall indemnify and advance expenses to, and hold harmless, to the fullest extent permitted by law as it exists on the date hereof or as it may hereafter be amended, any person (an "Indemnitee") who was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person is or was a Director or an officer of the Corporation or, while a Director or an officer of the Corporation, is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all liabilities and losses suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding. Such right to indemnification shall continue as to a person who has ceased to be a Director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. Notwithstanding the preceding sentences, the Corporation shall not be required to indemnify, or advance expenses to, an Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee, whether initiated in such Indemnitee's capacity as a Director or officer or in any other capacity, or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Corporation in such Proceeding (or part thereof), unless the initiation of such Proceeding (or part thereof) by the Indemnitee was authorized or consented to by the Board of Directors of the Corporation.

**C. Renunciation of Corporation Opportunities**

1. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, (a) the Corporation hereby renounces all interest and expectancy that it otherwise would be entitled to have in, and all rights to be offered an opportunity to participate in, any business opportunity that from time to time may be presented to (i) any Director, (ii) any stockholder, officer or agent of the Corporation, or (iii) any Affiliate of any person or entity identified in the preceding clause (i) or (ii), but in each case excluding any such person in its capacity as an employee or Director of the Corporation or its subsidiaries; (b) no stockholder and no Director, in each case, that is not an employee of the Corporation or its subsidiaries, will have any duty to refrain from (x) engaging in a corporate opportunity in the same or similar lines of business in which the Corporation or its subsidiaries from time to time is engaged or proposes to engage or (y) otherwise competing, directly or indirectly, with the Corporation or any of its subsidiaries; and (c) if any stockholder or any Director, in each case, that is not an employee of the Corporation or its subsidiaries, acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity both for such stockholder or such Director or any of their respective Affiliates, on the one hand, and for the Corporation or its subsidiaries, on the other hand, such stockholder or Director shall have no duty to communicate or offer such transaction or business opportunity to the Corporation or its subsidiaries and such stockholder or Director may take any and all such transactions or opportunities for itself or offer such transactions or opportunities to any other person or entity. The preceding sentence of this Article VII(C) shall not apply to any potential transaction or business opportunity that is expressly offered to a Director or employee of the Corporation or its subsidiaries, solely in his or her capacity as a Director or employee of the Corporation or its subsidiaries.

   Solely for purposes of this Article VII(C), the following terms shall have the meanings assigned below:

(a) "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person.

(b) "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of stock or other equity interests, by contract or otherwise.

(c) "Person" means any individual, corporation, partnership, unincorporated association or other entity.

2. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, no potential transaction or business opportunity may be deemed to be a corporate opportunity of the Corporation or its subsidiaries unless (a) the Corporation or its subsidiaries would be permitted to undertake such transaction or opportunity in accordance with this Amended and Restated Certificate of Incorporation, (b) the Corporation or its subsidiaries at such time have sufficient financial resources to undertake such transaction or opportunity (c) the Corporation or its subsidiaries have an interest or expectancy in such transaction or opportunity and (d) such transaction or opportunity would be in the same or similar line of business in which the Corporation or its subsidiaries are then engaged or a line of business that is reasonably related to, or a reasonable extension of, such line of business.

3. Liability. No stockholder and no Director will be liable to the Corporation or its subsidiaries or stockholders for breach of any duty (contractual or otherwise) solely by reason of any activities or omissions of the types referred to in this Article VII(C), except to the extent such actions or omissions are in breach of this Article VII(C).

**D. Effect of Amendment**

No amendment to, or modification or repeal of this Article VI, nor the adoption of any provision of this Certificate inconsistent with this Article VI, shall adversely affect any right or protection of an Indemnitee existing hereunder with respect to any acts or omissions occurring before such amendment, modification, repeal or adoption of an inconsistent provision.

**ARTICLE VII: MEETINGS OF STOCKHOLDERS**

**A. Stockholder Action by Written Consent**

No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent; provided, however, that, subject to the rights of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, for so long as 2118769 Ontario Inc., Fruzer Inc., 2208742 Ontario Inc., 2208744 Ontario Inc., HF I Investments LLC, HF II Investments LLC, HF III Investments LLC, Hawthorn Limited Partnership, Hydrofarm Co-Investment Fund, LP, Arch Street Holdings I, LLC and Payne Capital Corp., together with their respective affiliates or successors, collectively beneficially own (directly or indirectly), in the aggregate, at least fifty percent (50%) of the then issued and outstanding Common Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation at any meeting of stockholders may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by stockholders holding at least a majority of the total voting power of all the then-outstanding shares of the Corporation then entitled to vote entitled on the subject matter thereof.

**B. Special Meetings of Stockholders**

Except as otherwise required by law or provided by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by (a) the Board of Directors pursuant to a resolution approved by a majority of the total number of Directors that the Corporation would have if there were no vacancies or (b) the chair of the Board of Directors, and any power of stockholders to call a special meeting is specifically denied.

**ARTICLE VIII: AMENDMENTS TO THE CERTIFICATE AND BYLAWS**

**A. Amendments to the Certificate**

Notwithstanding any other provisions of this Certificate, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Articles V, VI, VII or this Article VIII may be altered, amended or repealed in any respect (including by merger, consolidation or otherwise), nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^{2/3}$%) of the voting power of all of the then-outstanding shares of the Corporation then entitled to vote generally in an election of Directors, voting together as a single class.

**B. Adoption, Amendment and Repeal of the Bylaws**

In furtherance and not in limitation of the powers conferred by applicable law, the Board of Directors is expressly authorized to make, alter, amend and repeal the Bylaws, subject to the power of the stockholders of the Corporation to make, alter, amend or repeal the Bylaws; provided, however, that with respect to the powers of stockholders to make, alter, amend or repeal the Bylaws, and notwithstanding any other provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the stockholders of any particular class or series of the Corporation required by law, the Bylaws or any series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^{2/3}$%) of the voting power of all of the then-outstanding shares of the Corporation entitled to vote generally in an election of Directors, voting together as a single class, shall be required to make, alter, amend or repeal the Bylaws.

**ARTICLE IX: EXCLUSIVE JURISDICTION**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any Director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, creditors or other constituents; (iii) any action asserting a claim against the Corporation or any Director or officer of the Corporation arising pursuant to, or a claim against the Corporation or any Director or officer of the Corporation with respect to the interpretation or application of any provision of, the DGCL, this Certificate or the Bylaws of the Corporation; or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said court having personal jurisdiction over the indispensable parties named as defendants therein; provided, that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state court sitting in the State of Delaware. To the fullest extent permitted by law, any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

* * * *

IN WITNESS WHEREOF, Hydrofarm Holdings Group, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer this 28th day of August, 2018.

**HYDROFARM HOLDINGS GROUP, INC.**

By: /s/ Todd Van Emburgh
Name: Todd Van Emburgh
Title: President

[Signature Page to Amended and Restated Certificate of Incorporation]

EXHIBIT C

DISCLOSURE SCHEDULE

**Schedule 1.05 - Directors of Surviving Company**

Aaron Serruya
Jack Serruya
Michael Serruya
Simon Serruya
Christopher Payne
John Tomes

**Schedule 3.04 - Capitalization of the Company**

*See attached.*

**SCHEDULE 3.04**

| Stockholder | Company Common Stock Owned | Company Warrants Owned - Underlying Common Stock |
|---|---|---|
| Wardenburg 2009 Family Trust | 14,583,958 | 816,979 |
| *Serruya Investors* | | |
| 2118769 Ontario Inc. | 13,105,649 | 302,829 |
| Fruzer Inc. | 13,105,659 | 302,829 |
| 2208742 Ontario Inc. | 13,105,659 | 302,829 |
| 2208744 Ontario Inc. | 13,105,659 | 302,829 |
| *Original Broadband Investors* | | |
| HF I Investments LLC | 9,452,286 | -- |
| HF II Investments LLC | 3,891,780 | -- |
| HF III Investments LLC | 11,655,934 | -- |
| *New Broadband Investors* | | |
| John A. Elway Revocable Trust | 120,000 | 60,000 |
| Michael Balducci | 80,000 | 40,000 |
| William D. Morehead | 120,000 | 60,000 |
| The Novo Agency LLC | 40,000 | 20,000 |
| Chambers Family Living Trust | 20,000 | 10,000 |
| Renat Gibadullin | 20,012 | 10,006 |
| Post Road Equity LLC | 600,000 | 300,000 |
| Printech LLC | 20,000 | 10,000 |
| Jeffrey Springer | 12,000 | 6,000 |
| Timothy P. Hanley | 10,000 | 5,000 |
| Universal Commodities, Inc. | 10,000 | 5,000 |
| Jacob H. Widlitz | 20,000 | 10,000 |
| The Woodland Trust | 40,000 | 20,000 |
| Donald Zoltan | 160,000 | 80,000 |
| *Hawthorn Investors* | | |
| Hawthorn LP | 10,500,913 | 250,454 |
| Hydrofarm Co-Investment Fund, LP | 4,816,466 | 103,483 |
| Arch Street Holdings I, LLC | 733,917 | 16,958 |
| Payne Capital Corp. | 524,225 | 12,110 |
| **Total** | **109,854,117** | **3,047,306** |

**Exhibit 3.1**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**
**OF**
**HYDROFARM HOLDINGS GROUP, INC.**

Hydrofarm Holdings Group, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware (the "Secretary of State") on January 3, 2017. An amendment to the original certificate of incorporation of the Corporation was filed with the Secretary of State on August 3, 2018. A certificate of correction to the original certificate of incorporation of the Corporation, as amended, was filed with the Secretary of State on August 8, 2018 (as amended to date, the "Original Certificate"). The name under which the Corporation was originally incorporated was Innovation Acquisition One Corp.

2. This Amended and Restated Certificate of Incorporation (this "Certificate") was duly adopted by the board of directors of the Corporation (the "Board of Directors") and by the stockholders of the Corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL").

3. The Original Certificate is hereby amended and restated in its entirety to read as follows:

**ARTICLE I: NAME**

The name of the corporation is Hydrofarm Holdings Group, Inc.

**ARTICLE II: REGISTERED OFFICE**

The address of the Corporation's registered office in the State of Delaware is 850 New Burton Road, Suite 201, Dover, DE 19904, Kent County; and the name of the registered agent of the Corporation in the State of Delaware at such address is Cogency Global Inc. The Corporation shall have the authority to designate registered offices and registered agents in other jurisdictions and to change its registered office and registered agent in the State of Delaware.

**ARTICLE III: PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV: CAPITALIZATION**

**A. Capital Stock**

The total number of shares of capital stock which the Corporation shall have authority to issue is Three Hundred Fifty Million (350,000,000), of which (i) Three Hundred Million (300,000,000) shares shall be a class designated as common stock, par value $0.0001 per share (the "Common Stock"), and (ii) Fifty Million Shares (50,000,000) shares shall be a class designated as preferred stock, par value $0.0001 per share (the "Preferred Stock").

The number of authorized shares of Common Stock or Preferred Stock may from time to time be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holder is required pursuant to this Certificate (including pursuant to any certificate of designation of any series of Preferred Stock).

**State of Delaware**
**Secretary of State**
**Division of Corporations**
**Delivered 03:41 PM 08/28/2018**
**FILED 03:41 PM 08/28/2018**
**SR 20186394728 - File Number 6270126**

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

**B. Common Stock**

1. Voting. Each holder of record of Common Stock, as such, shall have one vote for each share of Common Stock which is outstanding in his, her or its name on the books of the Corporation on all matters on which stockholders are entitled to vote generally. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate (including any certificate of designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

2. Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board of Directors or any authorized committee thereof.

3. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such dissolution, liquidation or winding up of the Corporation, the holders of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

**C. Preferred Stock**

Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide from time to time, out of the authorized, unissued shares of Preferred Stock, for one or more series of Preferred Stock, and, with respect to each such series, to fix, without further stockholder approval, the designation of such series, and the powers (including voting powers, if any), preferences and relative, participating, optional and other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series of Preferred Stock, and unless otherwise provided in the designation of such series, the Board of Directors may increase (but not above the total number of authorized shares of Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of such series, and if the number of shares of such series shall be decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The powers, preferences and relative, participating, optional and other special rights of, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock, if any, may differ from those of any and all other series at any time outstanding. Except as otherwise required by law, holders of any series of Preferred Stock shall be entitled to only such voting rights, if any, as shall expressly be granted thereto by this Certificate (including any certificate of designation relating to such series of Preferred Stock).

**ARTICLE V: DIRECTORS**

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.

2. Election of Directors. Election of directors comprising the Board of Directors (each such director, in such capacity, a "Director") need not be by written ballot unless the Bylaws of the Corporation (the "Bylaws") shall so provide.

3. Number of Directors; Term of Office. Except as otherwise provided for or fixed pursuant to the provisions of Article IV of this Certificate (including any certificate of designation of any series of Preferred Stock) and this Article V relating to the rights of the holders of any series of Preferred Stock to elect additional Directors, the number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors, other than those who may be elected by the holders of any series of Preferred Stock, shall be elected at each annual meeting of stockholders for a term of one year. Each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

   During any period when the holders of any series of Preferred Stock have the right to elect additional Directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to said provisions, and (ii) each such additional Director shall serve until such Director's successor shall have been duly elected and qualified, or until such Director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional Directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total authorized number of Directors of the Corporation shall be reduced accordingly.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, or by a single remaining Director, and not by the stockholders. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the Director for which the vacancy was created or occurred and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal.

5. Removal. Subject to the rights, if any, of any series of Preferred Stock to elect Directors and to remove any Director whom the holders of any such stock have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office only (i) for cause and (ii) by the affirmative vote of the holders of at least a majority in voting power of the shares then entitled to vote at an election of Directors.

**ARTICLE VI: LIMITATION OF DIRECTOR LIABILITY; INDEMNIFICATION AND ADVANCEMENTS OF EXPENSES; RENUNCIATION OF CORPORATE OPPORTUNITIES**

**A. Limitation on Liability**

To the fullest extent that the DGCL or any other law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of Directors, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director.

**B. Indemnification and Advancement of Expenses**

The Corporation shall indemnify and advance expenses to, and hold harmless, to the fullest extent permitted by law as it exists on the date hereof or as it may hereafter be amended, any person (an "Indemnitee") who was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person is or was a Director or an officer of the Corporation or, while a Director or an officer of the Corporation, is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all liabilities and losses suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding. Such right to indemnification shall continue as to a person who has ceased to be a Director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. Notwithstanding the preceding sentences, the Corporation shall not be required to indemnify, or advance expenses to, an Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee, whether initiated in such Indemnitee's capacity as a Director or officer or in any other capacity, or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Corporation in such Proceeding (or part thereof), unless the initiation of such Proceeding (or part thereof) by the Indemnitee was authorized or consented to by the Board of Directors of the Corporation.

**C. Renunciation of Corporation Opportunities**

1. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, (a) the Corporation hereby renounces all interest and expectancy that it otherwise would be entitled to have in, and all rights to be offered an opportunity to participate in, any business opportunity that from time to time may be presented to (i) any Director, (ii) any stockholder, officer or agent of the Corporation, or (iii) any Affiliate of any person or entity identified in the preceding clause (i) or (ii), but in each case excluding any such person in its capacity as an employee or Director of the Corporation or its subsidiaries; (b) no stockholder and no Director, in each case, that is not an employee of the Corporation or its subsidiaries, will have any duty to refrain from (x) engaging in a corporate opportunity in the same or similar lines of business in which the Corporation or its subsidiaries from time to time is engaged or proposes to engage or (y) otherwise competing, directly or indirectly, with the Corporation or any of its subsidiaries; and (c) if any stockholder or any Director, in each case, that is not an employee of the Corporation or its subsidiaries, acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity both for such stockholder or such Director or any of their respective Affiliates, on the one hand, and for the Corporation or its subsidiaries, on the other hand, such stockholder or Director shall have no duty to communicate or offer such transaction or business opportunity to the Corporation or its subsidiaries and such stockholder or Director may take any and all such transactions or opportunities for itself or offer such transactions or opportunities to any other person or entity. The preceding sentence of this Article VII(C) shall not apply to any potential transaction or business opportunity that is expressly offered to a Director or employee of the Corporation or its subsidiaries, solely in his or her capacity as a Director or employee of the Corporation or its subsidiaries.

Solely for purposes of this Article VII(C), the following terms shall have the meanings assigned below:

(a) "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person.

(b) "Control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of stock or other equity interests, by contract or otherwise.

(c) "Person" means any individual, corporation, partnership, unincorporated association or other entity.

2. Corporate Opportunity. To the fullest extent permitted by the laws of the State of Delaware, no potential transaction or business opportunity may be deemed to be a corporate opportunity of the Corporation or its subsidiaries unless (a) the Corporation or its subsidiaries would be permitted to undertake such transaction or opportunity in accordance with this Amended and Restated Certificate of Incorporation, (b) the Corporation or its subsidiaries at such time have sufficient financial resources to undertake such transaction or opportunity (c) the Corporation or its subsidiaries have an interest or expectancy in such transaction or opportunity and (d) such transaction or opportunity would be in the same or similar line of business in which the Corporation or its subsidiaries are then engaged or a line of business that is reasonably related to, or a reasonable extension of, such line of business.

3. Liability. No stockholder and no Director will be liable to the Corporation or its subsidiaries or stockholders for breach of any duty (contractual or otherwise) solely by reason of any activities or omissions of the types referred to in this Article VII(C), except to the extent such actions or omissions are in breach of this Article VII(C).

**D. Effect of Amendment**

No amendment to, or modification or repeal of this Article VI, nor the adoption of any provision of this Certificate inconsistent with this Article VI, shall adversely affect any right or protection of an Indemnitee existing hereunder with respect to any acts or omissions occurring before such amendment, modification, repeal or adoption of an inconsistent provision.

**ARTICLE VII: MEETINGS OF STOCKHOLDERS**

**A. Stockholder Action by Written Consent**

No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent; provided, however, that, subject to the rights of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, for so long as 2118769 Ontario Inc., Fruzer Inc., 2208742 Ontario Inc., 2208744 Ontario Inc., HF I Investments LLC, HF II Investments LLC, HF III Investments LLC, Hawthorn Limited Partnership, Hydrofarm Co-Investment Fund, LP, Arch Street Holdings I, LLC and Payne Capital Corp., together with their respective affiliates or successors, collectively beneficially own (directly or indirectly), in the aggregate, at least fifty percent (50%) of the then issued and outstanding Common Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation at any meeting of stockholders may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by stockholders holding at least a majority of the total voting power of all the then-outstanding shares of the Corporation then entitled to vote entitled on the subject matter thereof.

**B. Special Meetings of Stockholders**

Except as otherwise required by law or provided by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by (a) the Board of Directors pursuant to a resolution approved by a majority of the total number of Directors that the Corporation would have if there were no vacancies or (b) the chair of the Board of Directors, and any power of stockholders to call a special meeting is specifically denied.

**ARTICLE VIII: AMENDMENTS TO THE CERTIFICATE AND BYLAWS**

**A. Amendments to the Certificate**

Notwithstanding any other provisions of this Certificate, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Articles V, VI, VII or this Article VIII may be altered, amended or repealed in any respect (including by merger, consolidation or otherwise), nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^{2/3}$%) of the voting power of all of the then-outstanding shares of the Corporation then entitled to vote generally in an election of Directors, voting together as a single class.

**B. Adoption, Amendment and Repeal of the Bylaws**

In furtherance and not in limitation of the powers conferred by applicable law, the Board of Directors is expressly authorized to make, alter, amend and repeal the Bylaws, subject to the power of the stockholders of the Corporation to make, alter, amend or repeal the Bylaws; provided, however, that with respect to the powers of stockholders to make, alter, amend or repeal the Bylaws, and notwithstanding any other provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the stockholders of any particular class or series of the Corporation required by law, the Bylaws or any series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^{2/3}$%) of the voting power of all of the then-outstanding shares of the Corporation entitled to vote generally in an election of Directors, voting together as a single class, shall be required to make, alter, amend or repeal the Bylaws.

**ARTICLE IX: EXCLUSIVE JURISDICTION**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any Director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, creditors or other constituents; (iii) any action asserting a claim against the Corporation or any Director or officer of the Corporation arising pursuant to, or a claim against the Corporation or any Director or officer of the Corporation with respect to the interpretation or application of any provision of, the DGCL, this Certificate or the Bylaws of the Corporation; or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said court having personal jurisdiction over the indispensable parties named as defendants therein; provided, that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state court sitting in the State of Delaware. To the fullest extent permitted by law, any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

* * * *

IN WITNESS WHEREOF, Hydrofarm Holdings Group, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer this 28th day of August, 2018.

**HYDROFARM HOLDINGS GROUP, INC.**

By: /s/ Todd Van Emburgh
Name: Todd Van Emburgh
Title: President

[Signature Page to Amended and Restated Certificate of Incorporation]

**Exhibit 3.3**

**State of Delaware**
**Secretary of State**
**Division of Corporations**
**Delivered 11:28 AM 12/30/2019**
**FILED 11:28 AM 12/30/2019**
**SR 20198911007 - File Number 6270126**

**CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF THE SERIES A CONVERTIBLE PREFERRED STOCK OF HYDROFARM HOLDINGS GROUP, INC.**

1, William Toler, hereby certify that **1** am the Chief Executive Officer of Hydrofarm Holdings Group, Inc. (the **"Corporation"),** a corporation organized and existing under the Delaware General Corporation Law, and further do hereby certify:

That pursuant to the authority expressly conferred upon the Board of Directors of the Corporation (the **"Board")** by the Corporation's Amended and Restated Articles of Incorporation (the **"Certificate of Incorporation"),** the Board on December 30, 2019 adopted the following resolutions creating a series of 15,000,000 shares of preferred stock designated as Series A Preferred Stock, none of which shares have been issued:

RESOLVED, that the Board designates the Preferred Stock and the number of shares constituting such series, and fixes the rights, powers, preferences, privileges and restrictions relating to such series in addition to any set forth in the Certificate of Incorporation as follows:

**TERMS OF CONVERTIBLE PREFERRED STOCK**

15,000,000 shares of the authorized and unissued preferred stock of the Corporation are hereby designated **"Series A Preferred Stock"** with the following rights, preferences, powers, privileges and restrictions,

qualifications and limitations.

1. Dividends.

From and after the date of the initial issuance of any shares of Series A Preferred Stock (the **"Initial Issuance Date"),** dividends shall accrue on the Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock) at a rate per annum of (x) 10% of the Series A Original Issue Price from and after the Initial Issuance Date, (y) 11% of the Series A Original Issue Price from and after nine (9) months following the Initial Issuance Date and (z) 12% of the Series A Original Issue Price from and after eighteen (18) months following the Initial Issuance Date (collectively, the **"Accruing Dividends").** Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative; provided, however, that except as set forth in the following sentence of this Section 1 or in Subsection 2.1 and Section 6, such Accruing Dividends shall be payable only when, as, and if declared by the Board and the Corporation shall be under no obligation to otherwise pay such Accruing Dividends. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of the Corporation's common stock, par value, $0.0001 per share (the **"Common Stock")** payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in this Certificate of Designation) the holders of the Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to the sum of (i) the amount of the aggregate Accruing Dividends then accrued on such share of Series A Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or **(B)** in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series A Original Issue Price (as defined below); provided that if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series A Preferred Stock pursuant to this Section I shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A Preferred Stock dividend. The **"Series A Original Issue Price"** shall mean $3,50 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock. The dividends described in this Section I may be paid in cash, or in shares of Series A Preferred Stock, at the option of the Corporation. If paid in shares of Series A Preferred Stock, such shares shall be valued at $3.50 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock (provided that any accrued and unpaid dividend payable upon conversion may be paid in the number of shares of Common Stock into which such Series A Preferred Stock would then be convertible). Shares of Series A Preferred Stock issued as payment of dividends shall accrue dividends at the rate set forth in this Section I commencing on the day immediately following the payment date on which such shares were issuable or issued (whichever is earlier).

2. Liquidation. Dissolution or Winding Up: Certain Mergers. Consolidations and Asset Sales.

2.1 Preferential Payments to Holders of Series A Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, and in the event of a Deemed Liquidation Event (as defined below), the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the consideration payable to stockholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined below), as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A Original Issue Price, plus any Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "Series A Liquidation Amount"). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1 the holders of shares of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

2.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment in full of all Series A Liquidation Amounts required to be paid to the holders of shares of Series A Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders or, in the case of a Deemed Liquidation Event, the consideration not payable to the holders of shares of Series A Preferred Stock pursuant to Subsection 2.1 or the remaining Available Proceeds, as the case may be, shall be distributed among the holders of shares of Common Stock or any junior preferred stock, pro rata based on the terms of such securities and the number of shares held by each such holder.

2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a "Deemed Liquidation Event" unless the holders of at least a majority of the outstanding shares of Series A Preferred Stock (the "Requisite Holders") elect otherwise by written notice sent to the Corporation at least three (3) days prior to the effective date of any such event:

(a) a merger or consolidation in which

(i) the Corporation is a constituent party or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (I) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) (I) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or (2) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole arc held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

2.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the **"Merger Agreement")** provides that the consideration payable to the stockholders of the Corporation in such Deemed Liquidation Event shall be allocated and paid to the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 2.3. l(a)(ii) or 2.3. I (b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within ninety (90) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Series A Preferred Stock no later than the ninetieth ($90^{111}$) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause; (ii) to require the redemption of such shares of Series A Preferred Stock, and (iii) if the holders of at least a majority of the then outstanding shares of Series A Preferred Stock so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of the Corporation), together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the "Available Proceeds"), on the one hundred fiftieth (150th) day after such Deemed Liquidation Event, to redeem all outstanding shares of Series A Preferred Stock at a price per share equal to the Series A Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Series A Preferred Stock, the Corporation shall redeem a pro rata portion of each holder's shares of Series A Preferred Stock to the fullest extent of such Available Proceeds, based on the respective amounts which would otherwise he payable in respect of the shares to be redeemed if the Available Proceeds were sufficient to redeem all such shares, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders. The provisions of Section 6 shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the redemption of the Series A Preferred Stock pursuant to this Subsection 2.3.2(b). Prior to the distribution or redemption provided for in this Subsection 2.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

2.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities to be paid or distributed to such holders pursuant to such Deemed Liquidation Event. The value of such property, rights or securities shall be determined in good faith by the Board of the Corporation.

2.3.4 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Subsection 2.3. 1(a)(i), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "Additional Consideration"), the Merger Agreement shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "Initial Consideration") shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event; and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 22 after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Subsection 2.3.4, consideration placed into escrow or retained as a holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

3. Voting.

3.I General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Series A Preferred Stock (including shares of Series A Preferred Stock issued as dividends) shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of this Certificate of Designation, holders of Series A Preferred Stock shall vote together with the holders of Common Stock as a single class and on an as-converted to Common Stock basis.

3.2 Series A Preferred Stock Protective Provisions. At any time when at least 50% of the shares of Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or this Certificate of Designation) the written consent or affirmative vote of the Requisite Holders given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio,* and of no force or effect.

3.2.1 create, or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock unless the same ranks junior to the Series A Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends, rights of redemption and other preferences or privileges

3.2.2 liquidate, dissolve or wind-up the business and affairs of the Corporation;

3.2.3 amend, alter, waive or repeal any provision of this Certificate of Designation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Series A Preferred Stock; or

3.2.4 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Series A Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof.

4. Optional Conversion.

The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion. The "Series A Conversion Price" shall initially be equal to $3.50. Such initial Series A Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series A Preferred Stock.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon

conversion of the Series A Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Series A Preferred Stock to voluntarily convert shares of Series A Preferred Stock into shares of Common Stock, such holder shall (a) provide written notice to the Corporation's transfer agent at the office of the transfer agent for the Series A Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent) that such holder elects to convert all or any number of such holder's shares of Series A Preferred Stock and, if applicable, any event on which such conversion is contingent and (b), if such holder's shares are certificated, surrender the certificate or certificates for such shares of Series A Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Series A Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent). Such notice shall state such holder's name or the names of the nominees in which such holder wishes the shares of Common Stock to be issued. If required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such notice and, if applicable, certificates (or lost certificate affidavit and agreement) shall be the time of conversion (the "Conversion Time"), and the shares of Common Stock issuable upon conversion of the specified shares shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time (i) issue and deliver to such holder of Series A Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Series A Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Series A Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Series A Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Designation. Before taking any action which would cause an adjustment reducing the Series A Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Series A Conversion Price.

4.3.3 Effect of Conversion. All shares of Series A Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Series A Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly,

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price shall be made for any declared but unpaid dividends on the Series A Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustinents to Series A Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Error! Reference

source not found., the following definitions shall apply:

(a) **"Option"** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(c) **"Series A Original Issue Date"** shall mean the date on which the first share of Series A Preferred Stock was issued.

(b) **"Convertible Securities"** shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(d) **"Additional Shares of Common Stock"** shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Series A Original Issue Date, other than (I) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (I) and (2), collectively, **"Exempted Securities"):**

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Series A Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.5, 41, *41* or 4.8;

(iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Corporation;

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

(v) shares of Common Stock, Options or Convertible Securities issued pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation;

(vi) shares of Common Stock, Options or Convertible Securities issued to suppliers, distributors or third party service providers in connection with the provision of goods or services pursuant to transactions approved by the Board of Directors of the Corporation;

(vii) shares of Common Stock, Options or Convertible Securities issued as acquisition consideration pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided that such issuances are approved by the Board of Directors of the Corporation; or

(viii) shares of Common Stock issued upon the exercise or conversion of any Options or Convertible Securities outstanding as of the Series A Original Issue Date.

4.4.2 No Adjustment of Series A Conversion Price. No adjustment in the

Series A Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the Requisite Holders agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock or if any such adjustment would not be at least $0.02.

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series A Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Series A Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Series A Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Series A Conversion Price to an amount which exceeds the lower of (i) the Series A Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Series A Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Series A Conversion Price then in effect, or because such Option or Convertible Security was issued before the Series A Original Issue Date), are revised after the Series A Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4, the Series A Conversion Price shall be readjusted to such Series A Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Series A Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Series A Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Series A Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Series A Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series A Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the Series A Conversion Price in effect immediately prior to such issuance or deemed issuance, then the Series A Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP2 = CP_1 * (A + B) + (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "$CP_2$" shall mean the Series A Conversion Price in effect immediately after such issuance or deemed issuance of Additional Shares of Common Stock

(b) "$CP_1$" shall mean the Series A Conversion Price in effect immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issuance or deemed issuance or upon conversion or exchange of Convertible Securities (including the Series A Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued or deemed issued at a price per share equal to $CP_1$ (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by $CP_1$); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Subsection 4.4,the consideration received by the Corporation for the issuance or deemed issuance of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

(i) The total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more that) one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4 then, upon the final such issuance, the Series A Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Initial Issuance Date effect a subdivision of the outstanding Common Stock, the Series A Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Initial Issuance Date combine the outstanding shares of Common Stock, the Series A Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment tinder this Subsection 4.5 shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Initial Issuance Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Series A Conversion Price in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Series A Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series A Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A Conversion Price shall be adjusted pursuant to this Subsection 4.6 as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Series A Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the initial Issuance Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section I do not apply to such dividend or distribution, then and in each such event the holders of Series A Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization. etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Series A Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, il or Q), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Series A Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series A Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Series A Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Series A Preferred Stock. For the avoidance of doubt, nothing in this Subsection 4.8 shall be construed as preventing the holders of Series A Preferred Stock from seeking any appraisal rights to which they are otherwise entitled under Delaware law in connection with a merger triggering an adjustment hereunder, nor shall this Subsection 4.8 be deemed conclusive evidence of the fair value of the shares of Series A Preferred Stock in any such appraisal proceeding.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series A Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series A Preferred Stock (but in any event not later than ten (10) days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Series A Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Series A Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Series A Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation, then, and in each such case, the Corporation will send or cause to be sent to the holders of the Series A Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Series A Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Series A Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice.

5. Mandatory Conversion.

5.1 Trigger Events. Upon the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $75,000,000 of gross proceeds (the "Qualified IPO") to the Corporation (the time of such closing is referred to herein as the "Mandatory Conversion Time") then all outstanding shares of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the lesser of (x) the then Series A Conversion Price, or (y) the then effective Discounted Qualified IPO Price (as defined below).

"Discounted Qualified IPO Price" means, with respect to each share of Series A Preferred Stock, the amount calculated by multiplying the price at which the shares of Common Stock were sold by the Corporation to the public in the Qualified IPO by 0.8 (the "Multiplier"), provided that commencing 270 days after the Initial Issuance Date, the Multiplier shall be decreased to 0.79 and shall be decreased by an additional 0.01 every thirty (30) days thereafter, provided that the Multiplier shall not decrease below 0.75.

5.2 Procedural Requirements. All holders of record of shares of Series A Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Series A Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series A Preferred Stock converted pursuant to Subsection 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Series A Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and (b) pay cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Series A Preferred Stock converted. Such converted Series A Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

6. Liquidity Rights. If the Corporation has not consummated an IPO by the 18 month anniversary of the Initial Issuance Date, then the holders of at least a majority of the outstanding shares of Series A Preferred Stock shall have the option of advising the Corporation in writing (the "Liquidity Request") that they wish the Corporation to pursue one of the following options: (a) redeeming all of the issued and outstanding Series A Preferred Stock for a price equal to Series A Original Issue Price plus the amount of all accrued and unpaid dividends, (b) initiate a process with a view to the sale of the Corporation via a merger, asset sale or such other sale mechanism (a "Corporation Sale") as seems advisable to the Board or (c) initiate a process with a view to the Corporation consummating an IPO even if such IPO would not meet the requirements of a Qualified IPO (collectively, the "Three Options"). The Board will determine which of the Three Options to pursue and shall consider, among other things, the market for a Corporation Sale or IPO and the Corporation's capital needs and available surplus and such determination shall be communicated to all holders of Series A Preferred Stock within thirty (30) days following the Corporation's receipt of the Liquidity Request. Holders of at least a majority of the outstanding shares of Series A Preferred Stock may, but are not required to, appoint one or more representatives who will stay informed as to the process and advise the holders of Series A Preferred Stock of developments from time to time.

6.1 Redemption.

6.1.1 If the Board determines to redeem the Series A Preferred Stock in connection with the Three Options, all of the shares of Series A Preferred Stock shall be redeemed by the Corporation at a price equal to the Series A Original Issue Price per share, plus all accrued and unpaid dividends thereon (the "Redemption Price"), in three (3) annual installments commencing not more than sixty (60) days after receipt by the Corporation of the Liquidity Request. Upon receipt of the Liquidity Request, the Corporation shall apply all of its assets to any such redemption, and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders. The date of each such installment provided in the Redemption Notice (as defined below) shall be referred to as a "Redemption Date." On each Redemption Date, the Corporation shall redeem, on a pro rata basis in accordance with the number of shares of Series A Preferred Stock owned by each holder, that number of outstanding shares of Series A Preferred Stock determined by dividing (i) the total number of shares of Series A Preferred Stock outstanding immediately prior to such Redemption Date by (ii) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies). If on any Redemption Date, Delaware law governing distributions to stockholders prevents the Corporation from redeeming all shares of Series A Preferred Stock to be redeemed, the Corporation shall ratably redeem the maximum number of shares that it may redeem consistent with such law, and shall redeem the remaining shares as soon as it may lawfully do so under such law.

6.1.2 The Corporation shall send written notice of the redemption (the "Redemption Notice") to each holder of record of Series A Preferred Stock not less than forty (40) days prior to each Redemption Date. Each Redemption Notice shall state:

(a) the number of shares of Series A Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;

(b) the Redemption Date and the Redemption Price;

(c) the date upon which the holder's right to convert such shares terminates (as determined in accordance with Subsection 4,1); and

(d) for holders of shares in certificated form, that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series A Preferred Stock to be redeemed.

6.1.3 On or before the applicable Redemption Date, each holder of shares of Series A Preferred Stock to be redeemed on such Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 4, shall, if a holder of shares in certificated form, surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series A Preferred Stock represented by a certificate are redeemed, a new certificate, instrument, or book entry representing the unredeemed shares of Series A Preferred Stock shall promptly be issued to such holder.

6.1.4 If the Redemption Notice shall have been duly given, and if on the applicable Redemption Date the Redemption Price payable upon redemption of the shares of Series A Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that any certificates evidencing any of the shares of Series A Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series A Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of the holders to receive the Redemption Price without interest upon surrender of any such certificate or certificates therefor.

6.2 Liquidity Transactions.

6.2.1 If the Board determines to pursue a Corporation Sale or 1PO, it shall engage such investment bankers or other advisors, if any, as it deems necessary in connection with the Corporation Sale or IPO, as the case may be. The Board shall seek to determine in good faith what the likely range of purchase prices would be in any Corporation Sale and what the range of likely pre-money valuations for the Corporation in any such IPO, as the case may be, and send written notice of such range to the holders of Series A Preferred Stock, it being understood that any such advice or projection is not to be construed as a guaranty, assurance or representation that an outcome within the ranges would be achieved or a guaranty, assurance or representation that a Corporation Sale or IPO will be consummated on terms acceptable to a holder of Series A Preferred Stock, if at all.

6.2.2 The Corporation shall take, in good faith, such steps as may be necessary or desirable in connection with the consummation of a Corporation Sale or IPO, as the case may be, and shall inform the holders of Series A Preferred Stock from time to time of material developments in connection with the Corporation Sale or IPO, as the case may be, including changes in the lower or upper range estimates referred to in Subsection 6.2.1.

6.3 Withdrawal. A majority of the holders of the Series A Preferred Stock may, at any time, for any reason or no reason, advise the Corporation in writing that they have withdrawn their election to cause the Corporation to pursue one of the Three Options (though no such written notice shall obligate the Corporation to cease such pursuit).

7. Redeemed or Otherwise Acquired Shares. Any shares of Series A Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or othet rights granted to the holders of Series A Preferred Stock following redemption.

8. Waiver. Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series A Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Certificate of Designation to be given to a holder of shares of Series A Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

IN WITNESS WHEREOF, this Certificate of Designation has been executed by a duly authorized officer of this corporation on this 30th day of December, 2019.

By: /s/ William Toler
Name: William Toler
Title: Chief Executive Officer

(Signature Page to Certificate of Designation for convertible Preferred Stock)

**Exhibit 4.1**

SEE REVERSE FOR IMPORTANT NOTICE REGARDING OWNERSHIP AND TRANSFER RESTRICTIONS AND CERTAIN OTHER INFORMATION

HYDROFARM®

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

COMMON STOCK

CUSIP 44888K 10 0

SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

HYDROFARM HOLDINGS GROUP, INC.

transferable on the books of the Company in Person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the Bylaws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

0000001

Chief Financial Officer

Chief Executive Officer and Chairman of the Board

COUNTERSIGNED AND REGISTERED CONTINENTAL STOCK TRANSFER & TRUST COMPANY

AUTHORIZED SIGNATURE

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

| | | | |
|---|---|---|---|
| TEN COM | – as tenants in common | UNIF GIFT MIN ACT– | _____ Custodian _____ |
| TEN ENT | – as tenants by the entireties | | (Cust) (Minor) |
| JT TEN | – as joint tenants with right of survivorship and not as tenants in common | | under Uniform Gifts to Minors Act _____ (State) |
| TTEE | – trustee under Agreement dated _____ | | |

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

| |
|---|
| |

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE.

_____

_____

_____ Shares of the common stock represented by this certificate and do hereby irrevocably constitutes and appoint _____

_____,

Attorney, to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

DATED _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

**Exhibit 4.2**

Warrant Certificate No. ___

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS.

Effective Date: [ ], 2018

**HYDROFARM HOLDINGS GROUP, INC.**

FORM OF WARRANT TO PURCHASE COMMON STOCK

**Hydrofarm Holdings Group, Inc.**, a Delaware corporation (the "**Company**"), for value received on [ ], 2018 (the "**Effective Date**"), hereby issues to **[ ]** (the "**Holder**") this Warrant (the "**Warrant**") to purchase, **[ ]** shares of the Company's Common Stock (as hereinafter defined) (each such share as from time to time adjusted as hereinafter provided being a "**Warrant Share**" and all such shares being the "**Warrant Shares**"), at the Exercise Price (as defined below), as from time to time adjusted as hereinafter provided, on or before the Expiration Date (as defined below), all subject to the following terms and conditions. This Warrant is one of a series of warrants of like tenor that have been issued in connection with the Company's private offering solely to accredited investors of units in accordance with, and subject to, the terms and conditions described in the Subscription Agreement, attached to the Confidential Private Placement Memorandum of the Company dated July __, 2018, as the same may be amended and supplemented from time to time (the "**Subscription Agreement**" and the "**Private Placement Memorandum**," respectively).

As used in this Warrant, (i) "**Business Day**" means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York, New York, are authorized or required by law or executive order to close; (ii) "**Common Stock**" means the common stock of the Company, par value $0.0001 per share, including any securities issued or issuable with respect thereto or into which or for which such shares may be exchanged for, or converted into, pursuant to any stock dividend, stock split, stock combination, recapitalization, reclassification, reorganization or other similar event; (iii) "**Exercise Price**" means $5.00 per share of Common Stock, subject to adjustment as provided herein; (iv) "**Exercise Commencement Date**" means the earliest of: (x) the effectiveness of a registration statement that the Company is required to file pursuant to the Registration Rights Agreement being entered into by the Company with the Warrant holders in connection with the transactions set forth in the Private Placement Memorandum and pursuant to which the resale of the Warrant Shares is being registered ("**Registration Rights Agreement**"), (y) the closing of the Initial Public Offering (as defined in the Registration Rights Agreement) or (z) the closing of any other transaction or set of events that results in the Company (or the surviving corporation in connection with such transaction) being (or remaining) subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (any of the foregoing, a "**Public Event**"); (v) "**Expiration Date**" means the three year anniversary following any Public Event; (vi) "**Trading Day**" means any day on which the Common Stock is traded (or available for trading) on its principal trading market; (vii) "**Affiliate**" means any person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, a person, as such terms are used and construed in Rule 144 promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"); and (viii) "**Warrant holders**" means the Holder and the other holders of Warrants issued pursuant to the Subscription Agreement and Private Placement Memorandum.

1. DURATION AND EXERCISE OF WARRANTS

(a) Exercise Period. Commencing on the Exercise Commencement Date, the Holder may exercise this Warrant in whole or in part on any Business Day on or before 5:00 P.M., Eastern Time, on the Expiration Date, at which time this Warrant shall become void and of no value.

(b) Exercise Procedures.

(i) While this Warrant remains outstanding and exercisable in accordance with Section 1(a), in addition to the manner set forth in Section 1(b)(ii) below, the Holder may exercise this Warrant in whole or in part at any time and from time to time by:

(A) delivery to the Company of a duly executed copy of the Notice of Exercise attached as **Exhibit A**;

(B) surrender of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder; and

(C) payment of the then-applicable Exercise Price per share multiplied by the number of Warrant Shares being purchased upon exercise of the Warrant (such amount, the "**Aggregate Exercise Price**") made in the form of cash, or by certified check, bank draft or money order payable in lawful money of the United States of America or in the form of a Cashless Exercise to the extent permitted in Section 1(b)(ii) below.

(ii) In addition to the provisions of Section 1(b)(i) above, if any time after the Registration Default Date (as defined in the Registration Rights Agreement), a registration statement covering the resale of the Warrant Shares by the Holder is not effective with the Securities and Exchange Commission (the "**SEC**"), the Holder may, in its sole discretion, exercise all or any part of the Warrant in a "cashless" or "net-issue" exercise (a "**Cashless Exercise**") by delivering to the Company (1) the Notice of Exercise and (2) the original Warrant, pursuant to which the Holder shall surrender the right to receive upon exercise of this Warrant, a number of Warrant Shares having a value (as determined below) equal to the Aggregate Exercise Price, in which case, the number of Warrant Shares to be issued to the Holder upon such exercise shall be calculated using the following formula:

$$X = \frac{Y * (A - B)}{A}$$

with: X = the number of Warrant Shares to be issued to the Holder

Y = the number of Warrant Shares with respect to which the Warrant is being exercised

A = the fair value per share of Common Stock on the date of exercise of this Warrant

B = the then-current Exercise Price of the Warrant

Solely for the purposes of this paragraph, "**fair value**" per share of Common Stock shall mean the average Closing Price (as defined below) per share of Common Stock for the twenty (20) Trading Days immediately preceding the date on which the Notice of Exercise is deemed to have been sent to the Company. "**Closing Price**" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on the New York Stock Exchange, the NYSE American, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market or any other national securities exchange, the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary eligible market or exchange on which the Common Stock is then listed or quoted; (b) if prices for the Common Stock are then quoted on the OTC Bulletin Board or any tier of the OTC Markets, the closing bid price per share of the Common Stock for such date (or the nearest preceding date) so quoted; or (c) if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent closing bid price per share of the Common Stock so reported. If the Common Stock is not publicly traded as set forth above, the "fair value" per share of Common Stock shall be reasonably and in good faith determined by the board of directors of the Company (the "**Board of Directors**") as of the date which the Notice of Exercise is deemed to have been sent to the Company.

Notwithstanding the foregoing, provided that a registration statement (including any post-effective amendment) covering the resale of the Warrant Shares by the Holder has (x) been declared effective by the SEC and (y) has been effective for an aggregate period of one year, any Cashless Exercise right hereunder shall thereupon terminate.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for such shares shall be deemed to have commenced, on the date this Warrant was originally issued.

(iii) Upon the exercise of this Warrant in compliance with the provisions of this Section 1(b), and except as limited pursuant to the last paragraph of Section 1(b)(ii), the Company shall promptly issue and cause to be delivered to the Holder a certificate for the Warrant Shares purchased by the Holder. Each exercise of this Warrant shall be effective immediately prior to the close of business on the date (the "**Date of Exercise**") that the conditions set forth in Section 1(b) have been satisfied, as the case may be. On the first Business Day following the date on which the Company has received each of the Notice of Exercise and the Aggregate Exercise Price (or notice of a Cashless Exercise in accordance with Section 1(b)(ii)) (the "**Exercise Delivery Documents**"), the Company shall transmit an acknowledgment of receipt of the Exercise Delivery Documents to the Company's transfer agent (the "**Transfer Agent**"). On or before the third Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Notice of Exercise, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares.

(iv) If the Company shall fail for any reason or for no reason to issue to the Holder, within three (3) Business Days of receipt of the Exercise Delivery Documents, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant, and if on or after such Business Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Buy-In Amount**") plus the amount paid by the Holder to the Company as the exercise price for the Warrant Shares exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock, and paid the Company $5,000 as the exercise price, the Holder's cash outlay would be a total of $16,000; and if the aggregate sales price of the shares giving rise to such Buy-In obligation was $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $6,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(c) Partial Exercise. This Warrant shall be exercisable, either in its entirety or, from time to time, for part only of the number of Warrant Shares referenced by this Warrant. If this Warrant is submitted in connection with any exercise pursuant to Section 1 and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the actual number of Warrant Shares being acquired upon such an exercise, then the Company shall as soon as practicable and in no event later than five (5) Business Days after any exercise and at its own expense, issue a new Warrant of like tenor representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 16.

2. ISSUANCE OF WARRANT SHARES

(a) The Company covenants that all Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be (i) duly authorized, fully paid and non-assessable, and (ii) free from all liens, charges and security interests, with the exception of claims arising through the acts or omissions of any Holder and except as arising from applicable Federal and state securities laws.

(b) The Company shall register this Warrant upon records to be maintained by the Company for that purpose in the name of the record holder of such Warrant from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner thereof for the purpose of any exercise thereof, any distribution to the Holder thereof and for all other purposes.

(c) The Company will not, by amendment of its certificate of incorporation, by-laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all action necessary or appropriate in order to protect the rights of the Holder to exercise this Warrant, or against impairment of such rights.

3. ADJUSTMENTS OF EXERCISE PRICE, NUMBER AND TYPE OF WARRANT SHARES

(a) The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. If the Company does not have the requisite number of authorized but unissued shares of Common Stock to make any adjustment, the Company shall use its commercially best efforts to obtain the necessary stockholder consent to increase the authorized number of shares of Common Stock to make such an adjustment pursuant to this Section 3.

(i) Subdivision or Combination of Stock. In case the Company shall at any time subdivide (whether by way of stock dividend, stock split or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined (whether by way of stock combination, reverse stock split or otherwise) into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(i).

(ii) Dividends in Stock, Property, Reclassification. If at any time, or from time to time, all of the holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefore:

(A) any shares of stock or other securities that are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution, or

(B) additional stock or other securities or property (including cash) by way of spin-off, split-up, reclassification, combination of shares or similar corporate rearrangement (other than shares of Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3(a)(i) above), then and in each such case, the Exercise Price and the number of Warrant Shares to be obtained upon exercise of this Warrant shall be adjusted proportionately, and the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to above) that such Holder would hold on the date of such exercise had such Holder been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(ii)**.**

(iii) Reorganization, Reclassification, Consolidation, Merger or Sale. If any

recapitalization, reclassification or reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets or other transaction shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property (an "**Organic Change**"), then, as a condition of such Organic Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant) such shares of stock, securities or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable assuming the full exercise of the rights represented by this Warrant. In the event of any Organic Change, appropriate provision shall be made by the Company with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable and receivable upon the exercise of this Warrant and the corresponding registration rights contained in the Registration Rights Agreement) shall thereafter be applicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof. The Company will not affect any such consolidation, merger or sale unless, prior to the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument reasonably satisfactory in form and substance to the Holder executed and mailed or delivered to the registered Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase. If there is an Organic Change, then the Company shall cause to be mailed to the Holder at its last address as it shall appear on the books and records of the Company, at least 10 calendar days before the effective date of the Organic Change, a notice stating the date on which such Organic Change is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares for securities, cash, or other property delivered upon such Organic Change; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to exercise this Warrant during the 10 calendar day period commencing on the date of such notice to the effective date of the event triggering such notice. In any event, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall be deemed to assume such obligation to deliver to such Holder such shares of stock, securities or assets even in the absence of a written instrument assuming such obligation to the extent such assumption occurs by operation of law.

(b) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 3, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall promptly furnish or cause to be furnished to such Holder a like certificate setting forth: (i) such adjustments and readjustments; and (ii) the number of shares and the amount, if any, of other property which at the time would be received upon the exercise of the Warrant.

(c) Certain Events. If any event occurs as to which the other provisions of this Section 3 are not strictly applicable but the lack of any adjustment would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, or if strictly applicable would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, then the Board of Directors will, in good faith, make an appropriate adjustment to protect the rights of the Holder; provided, that no such adjustment pursuant to this Section 3(c) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 3.

4. REDEMPTION OF WARRANTS

(a) General. Prior to the Expiration Date, the Company shall have the option, subject to the conditions set forth herein, to redeem all of the Warrants then outstanding upon not less than thirty (30) days' nor more than sixty (60) days' prior written notice to the Warrant holders at any time provided that, at the time of delivery of such notice (i) there is an effective registration statement covering the resale of the Warrant Shares, and (ii) the volume-weighted average price of the Company's Common Stock for the twenty (20) consecutive Trading Days prior to the date of the notice of redemption is at least $7.50, as proportionately adjusted to reflect any stock splits, stock dividends, combination of shares or like events. It is contemplated that Aegis Capital Corp. will be retained as solicitation agent in the event the Company elects to redeem the Warrants and shall be paid a fee of 5% of the gross proceeds derived from the exercise of the Warrants in such event.

(b) Notice. Notice of redemption will be effective upon mailing in accordance with this Section and such date may be referred to below as the "**Notice Date.**" Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the Holders of the Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder received such notice.

(c) Redemption Date and Redemption Price. The notice of redemption shall state the date set for redemption, which date shall be not less than thirty (30) days, or more than sixty (60) days, from the Notice Date (the "**Redemption Date**"). The Company shall not mail the notice of redemption unless all funds necessary to pay for redemption of the Warrants to be redeemed shall have first been set aside by the Company for the benefit of the Warrant holders so as to be and continue to be available therefor. The redemption price to be paid to the Warrant holders will be $0.0001 for each share of Common Stock of the Company to which the Warrant holder would then be entitled upon exercise of the Warrant being redeemed, as adjusted from time to time as provided herein (the "**Redemption Price**").

(d) Exercise. Following the Notice Date, the Warrant holders may exercise their Warrants in accordance with Section 1 of this Warrant between the Notice Date and 5:00 p.m. Eastern Time on the Redemption Date and such exercise shall be timely if the form of election to purchase duly executed and the Warrant Exercise Price for the shares of Common Stock to be purchased are actually received by the Company at its principal offices prior to 5:00 p.m. Eastern Time on the Redemption Date.

(e) Mailing. If any Warrant holder does not wish to exercise any Warrant being redeemed, he should mail such Warrant to the Company at its principal offices after receiving the notice of redemption. On and after 5:00 p.m. Eastern Time on the Redemption Date, notwithstanding that any Warrant subject to redemption shall not have been surrendered for redemption, the obligation evidenced by all Warrants not surrendered for redemption or effectively exercised shall be deemed no longer outstanding, and all rights with respect thereto shall forthwith cease and terminate, except only the right of the holder of each Warrant subject to redemption to receive the Redemption Price for each share of Common Stock to which he would be entitled if he exercised the Warrant upon receiving notice of redemption of the Warrant subject to redemption held by him.

5. TRANSFERS AND EXCHANGES OF WARRANT AND WARRANT SHARES

(a) Registration of Transfers and Exchanges. Subject to Section 5(c), upon the Holder's surrender of this Warrant, with a duly executed copy of the Form of Assignment attached as **Exhibit B**, to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder, the Company shall register the transfer of all or any portion of this Warrant. Upon such registration of transfer, the Company shall issue a new Warrant, in substantially the form of this Warrant, evidencing the acquisition rights transferred to the transferee and a new Warrant, in similar form, evidencing the remaining acquisition rights not transferred, to the Holder requesting the transfer.

(b) Warrant Exchangeable for Different Denominations. The Holder may exchange this Warrant for a new Warrant or Warrants, in substantially the form of this Warrant, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder, each of such new Warrants to be dated the date of such exchange and to represent the right to purchase such number of Warrant Shares as shall be designated by the Holder. The Holder shall surrender this Warrant with duly executed instructions regarding such re-certification of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder.

(c) Restrictions on Transfers. This Warrant may not be transferred at any time without (i) registration under the Securities Act or (ii) an exemption from such registration and a written opinion of legal counsel addressed to the Company that the proposed transfer of the Warrant may be effected without registration under the Securities Act, which opinion will be in form and from counsel reasonably satisfactory to the Company.

(d) Permitted Transfers and Assignments. Notwithstanding any provision to the contrary in this Section 5, the Holder may transfer, with or without consideration, this Warrant or any of the Warrant Shares (or a portion thereof) to the Holder's Affiliates (as such term is defined under Rule 144 of the Securities Act) without obtaining the opinion from counsel that may be required by Section 5(c)(ii); provided, that the Holder delivers to the Company and its counsel certification, documentation, and other assurances reasonably required by the Company's counsel to enable the Company's counsel to render an opinion to the Company's Transfer Agent that such transfer does not violate applicable securities laws.

6. MUTILATED OR MISSING WARRANT CERTIFICATE

If this Warrant is mutilated, lost, stolen or destroyed, upon request by the Holder, the Company will, at its expense, issue, in exchange for and upon cancellation of the mutilated Warrant, or in substitution for the lost, stolen or destroyed Warrant, a new Warrant, in substantially the form of this Warrant, representing the right to acquire the equivalent number of Warrant Shares; provided, that, as a prerequisite to the issuance of a substitute Warrant, the Company may require satisfactory evidence of loss, theft or destruction as well as an indemnity from the Holder of a lost, stolen or destroyed Warrant.

7. PAYMENT OF TAXES

The Company will pay all transfer and stock issuance taxes attributable to the preparation, issuance and delivery of this Warrant and the Warrant Shares (and replacement Warrants) including, without limitation, all documentary and stamp taxes; provided, however, that the Company shall not be required to pay any tax in respect of the transfer of this Warrant, or the issuance or delivery of certificates for Warrant Shares or other securities in respect of the Warrant Shares to any person or entity other than to the Holder.

8. FRACTIONAL WARRANT SHARES

No fractional Warrant Shares shall be issued upon exercise of this Warrant. The Company, in lieu of issuing any fractional Warrant Share, shall round up the number of Warrant Shares issuable to nearest whole share.

9. NO STOCK RIGHTS AND LEGEND

No holder of this Warrant, as such, shall be entitled to vote or be deemed the holder of any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any corporate action or to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise (except as provide herein).

Each certificate for Warrant Shares initially issued upon the exercise of this Warrant, and each certificate for Warrant Shares issued to any subsequent transferee of any such certificate, shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS."

10. REGISTRATION RIGHTS

The Holder shall be entitled to the registration rights as are contained in the Registration Rights Agreement with respect to the Warrant Shares, the provisions of which are deemed incorporated herein by reference.

11. NOTICES

All notices, consents, waivers, and other communications under this Warrant must be in writing and will be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, if to the registered Holder hereof; or (d) seven days after the placement of the notice into the mails (first class postage prepaid), to the Holder at the address, facsimile number, or e-mail address furnished by the registered Holder to the Company in accordance with the Subscription Agreement by and between the Company and the Holder, or if to the Company, to it at 2249 S. McDowell Ext., Petaluma, CA 94954, Attn: Peter Wardenburg, CEO (or to such other address, facsimile number, or e-mail address as the Holder or the Company as a party may designate by notice the other party).

12. SEVERABILITY

If a court of competent jurisdiction holds any provision of this Warrant invalid or unenforceable, the other provisions of this Warrant will remain in full force and effect. Any provision of this Warrant held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

13. BINDING EFFECT

This Warrant shall be binding upon and inure to the sole and exclusive benefit of the Company, its successors and assigns, the registered Holder or Holders from time to time of this Warrant and the Warrant Shares.

14. SURVIVAL OF RIGHTS AND DUTIES

This Warrant shall terminate and be of no further force and effect on the earlier of 5:00 P.M., Eastern Time, on the Expiration Date or the date on which this Warrant has been exercised in full.

15. GOVERNING LAW

This Warrant will be governed by and construed under the laws of the State of New York without regard to conflicts of laws principles that would require the application of any other law.

16. DISPUTE RESOLUTION

In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two Business Days of receipt of the Notice of Exercise giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days, submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

17. NOTICES OF RECORD DATE

Upon (a) any establishment by the Company of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or right or option to acquire securities of the Company, or any other right, or (b) any capital reorganization, reclassification, recapitalization, merger or consolidation of the Company with or into any other corporation, any transfer of all or substantially all the assets of the Company, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, or the sale, in a single transaction, of a majority of the Company's voting stock (whether newly issued, or from treasury, or previously issued and then outstanding, or any combination thereof), the Company shall mail to the Holder at least ten (10) Business Days, or such longer period as may be required by law, prior to the record date specified therein, a notice specifying (i) the date established as the record date for the purpose of such dividend, distribution, option or right and a description of such dividend, option or right, (ii) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up, or sale is expected to become effective and (iii) the date, if any, fixed as to when the holders of record of Common Stock shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, transfer, consolation, merger, dissolution, liquidation or winding up.

18. RESERVATION OF SHARES

The Company shall reserve and keep available out of its authorized but unissued shares of Common Stock for issuance upon the exercise of this Warrant, free from pre-emptive rights, such number of shares of Common Stock for which this Warrant shall from time to time be exercisable. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation. Without limiting the generality of the foregoing, the Company covenants that it will use best efforts to take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and use best efforts to obtain all such authorizations, exemptions or consents, including but not limited to consents from the Company's stockholders or Board of Directors or any public regulatory body, as may be necessary to enable the Company to perform its obligations under this Warrant.

19. NO THIRD PARTY RIGHTS

This Warrant is not intended, and will not be construed, to create any rights in any parties other than the Company and the Holder, and no person or entity may assert any rights as third-party beneficiary hereunder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the date first set forth above.

**HYDROFARM HOLDINGS GROUP, INC.**

By: _____
Name: Peter Wardenburg
Title: Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

(To be executed by the Holder of Warrant if such Holder desires to exercise Warrant)

To Hydrofarm Holdings Group, Inc.:

The undersigned hereby irrevocably elects to exercise this Warrant and to purchase thereunder, full shares of Hydrofarm Holdings Group, Inc. common stock, par value $0.0001 per share, issuable upon exercise of the Warrant and delivery of:

(1) $ (in cash as provided for in the foregoing Warrant) and any applicable taxes payable by the undersigned pursuant to such Warrant; and

(2) shares of Common Stock (pursuant to a Cashless Exercise in accordance with Section 1(b)(ii) of the Warrant) (check here if the undersigned desires to deliver an unspecified number of shares equal the number sufficient to effect a Cashless Exercise [.]).

The undersigned requests that certificates for such shares be issued in the name of:

(Please print name, address and social security or federal employer identification number (if applicable))

Capitalized terms used herein without definition have the meaning ascribed to them in the Warrant. The undersigned hereby reaffirms all of the representations and warranties made in the subscription agreement submitted to Hydrofarm Holdings Group, Inc. to acquire the Warrant, including that the undersigned is an "accredited investor" as defined under Rule 501 of Regulation D of the Securities Act of 1933, as amended.

If the shares issuable upon this exercise of the Warrant are not all of the Warrant Shares which the Holder is entitled to acquire upon the exercise of the Warrant, the undersigned requests that a new Warrant evidencing the rights not so exercised be issued in the name of and delivered to:

(Please print name, address and social security or federal employer identification number (if applicable))

Name of Holder (print):
(Signature):
(By:)
(Title:)
Dated:

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED,_____hereby sells, assigns and transfers to each assignee set forth below all of the rights of the undersigned under the Warrant (as defined in and evidenced by the attached Warrant) to acquire the number of Warrant Shares set opposite the name of such assignee below and in and to the foregoing Warrant with respect to said acquisition rights and the shares issuable upon exercise of the Warrant:

| Name of Assignee | Address | Number of Shares |
|---|---|---|
| | | |
| | | |
| | | |

If the total of the Warrant Shares are not all of the Warrant Shares evidenced by the foregoing Warrant, the undersigned requests that a new Warrant evidencing the right to acquire the Warrant Shares not so assigned be issued in the name of and delivered to the undersigned.

Name of Holder (print): _____
(Signature): _____
(By:) _____
(Title:) _____
Dated: _____

**Exhibit 4.3**

Warrant Certificate No. [ ]

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS.

Effective Date: [ ], 2018

**HYDROFARM HOLDINGS GROUP, INC.**

FORM OF WARRANT TO PURCHASE COMMON STOCK

**Hydrofarm Holdings Group, Inc.**, a Delaware corporation (the "**Company**"), for value received on [ ], 2018 (the "**Effective Date**"), hereby issues to [ ] (the "**Holder**") this Warrant (the "**Warrant**") to purchase, [ ] shares of the Company's Common Stock (as hereinafter defined) (each such share as from time to time adjusted as hereinafter provided being a "**Warrant Share**" and all such shares being the "**Warrant Shares**"), at the Exercise Price (as defined below), as from time to time adjusted as hereinafter provided, on or before the Expiration Date (as defined below), all subject to the following terms and conditions. This Warrant is one of a series of placement agent warrants of like tenor that have been issued in connection with the Company's private offering solely to accredited investors of units (the **"Offering"**) pursuant to that certain Confidential Private Placement Memorandum of the Company dated August 3, 2018, as the same may be amended and supplemented from time to time (the "**Private Placement Memorandum")** and the Placement Agency Agreement dated August 3, 2018, as the same may have been amended from time to time (the "**PAA**")..

As used in this Warrant, (i) "**Business Day**" means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York, New York, are authorized or required by law or executive order to close; (ii) **Change of Control**" means (x) any transaction or series of related transactions (including any reorganization, merger or consolidation) that results in the transfer of 51% or more of the voting securities of the Company (excluding, for these purposes, private placements of newly issued shares), or (y) any transfer, disposition or sale of all or substantially all of the assets of the Company to another person; (iii) "**Common Stock**" means the common stock of the Company, par value $0.0001 per share, including any securities issued or issuable with respect thereto or into which or for which such shares may be exchanged for, or converted into, pursuant to any stock dividend, stock split, stock combination, recapitalization, reclassification, reorganization or other similar event; (iv) "**Exercise Price**" means $[2.50][5.00] per share of Common Stock, subject to adjustment as provided herein; (v) "**Exercise Commencement Date**" means the earliest of: (x) the effectiveness of a registration statement that the Company is required to file pursuant to the Registration Rights Agreement being entered into by the Company with the investors on the Offering in connection with the transactions set forth in the Private Placement Memorandum ("**Registration Rights Agreement**"), (y) $the closing of the Initial Public Offering (as defined in the Registration Rights Agreement) or (z) the closing of any other transaction or set of events that results in the Company (or the surviving corporation in connection with such transaction) being (or remaining) subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (any of the foregoing, a "**Public Event**"); (vi) "**Expiration Date**" means the three year anniversary following any Public Event; (vii) "**Trading Day**" means any day on which the Common Stock is traded (or available for trading) on its principal trading market; (viii) "**Affiliate**" means any person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, a person, as such terms are used and construed in Rule 144 promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"); and (ix) "**Warrant holders**" means the Holder and the other holders of Warrants issued pursuant to the PAA and Private Placement Memorandum.

1. DURATION AND EXERCISE OF WARRANTS

(a) Exercise Period. Commencing on the Exercise Commencement Date, the Holder may exercise this Warrant in whole or in part on any Business Day on or before 5:00 P.M., Eastern Time, on the Expiration Date, at which time this Warrant shall become void and of no value.

(b) Exercise Procedures.

(i) While this Warrant remains outstanding and exercisable in accordance with Section 1(a), in addition to the manner set forth in Section 1(b)(ii) below, the Holder may exercise this Warrant in whole or in part at any time and from time to time by:

(A) delivery to the Company of a duly executed copy of the Notice of Exercise attached as **Exhibit A**;

(B) surrender of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder; and

(C) payment of the then-applicable Exercise Price per share multiplied by the number of Warrant Shares being purchased upon exercise of the Warrant (such amount, the "**Aggregate Exercise Price**") made in the form of cash, or by certified check, bank draft or money order payable in lawful money of the United States of America or in the form of a Cashless Exercise to the extent permitted in Section 1(b)(ii) below.

(ii) The Holder may, in its sole discretion, exercise all or any part of the Warrant in a "cashless" or "net-issue" exercise (a "**Cashless Exercise**") by delivering to the Company (1) the Notice of Exercise and (2) the original Warrant, pursuant to which the Holder shall surrender the right to receive upon exercise of this Warrant, a number of Warrant Shares having a value (as determined below) equal to the Aggregate Exercise Price, in which case, the number of Warrant Shares to be issued to the Holder upon such exercise shall be calculated using the following formula:

$$X = \frac{Y * (A - B)}{A}$$

with: X = the number of Warrant Shares to be issued to the Holder

Y = the number of Warrant Shares with respect to which the Warrant is being exercised

A = the fair value per share of Common Stock on the date of exercise of this Warrant

B = the then-current Exercise Price of the Warrant

Solely for the purposes of this paragraph, "**fair value**" per share of Common Stock shall mean the average Closing Price (as defined below) per share of Common Stock for the twenty (20) Trading Days immediately preceding the date on which the Notice of Exercise is deemed to have been sent to the Company. "**Closing Price**" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on the New York Stock Exchange, the NYSE American, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market or any other national securities exchange, the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary eligible market or exchange on which the Common Stock is then listed or quoted; (b) if prices for the Common Stock are then quoted on the OTC Bulletin Board or any tier of the OTC Markets, the closing bid price per share of the Common Stock for such date (or the nearest preceding date) so quoted; or (c) if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent closing bid price per share of the Common Stock so reported. If the Common Stock is not publicly traded as set forth above, the "fair value" per share of Common Stock shall be reasonably and in good faith determined by the board of directors of the Company (the "**Board of Directors**") as of the date which the Notice of Exercise is deemed to have been sent to the Company.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for such shares shall be deemed to have commenced, on the Effective Date of this Warrant.

(iii) Upon the exercise of this Warrant in compliance with the provisions of this Section 1(b), and except as limited pursuant to the last paragraph of Section 1(b)(ii), the Company shall promptly issue and cause to be delivered to the Holder a certificate for the Warrant Shares purchased by the Holder. Each exercise of this Warrant shall be effective immediately prior to the close of business on the date (the "**Date of Exercise**") that the conditions set forth in Section 1(b) have been satisfied, as the case may be. On the first Business Day following the date on which the Company has received each of the Notice of Exercise and the Aggregate Exercise Price (or notice of a Cashless Exercise in accordance with Section 1(b)(ii)) (the "**Exercise Delivery Documents**"), the Company shall transmit an acknowledgment of receipt of the Exercise Delivery Documents to the Company's transfer agent (the "**Transfer Agent**"). On or before the third Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Notice of Exercise, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares.

(iv) If the Company shall fail for any reason or for no reason to issue to the Holder, within three (3) Business Days of receipt of the Exercise Delivery Documents, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant, and if on or after such Business Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Buy-In Amount**") plus the amount paid by the Holder to the Company as the exercise price for the Warrant Shares exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock, and paid the Company $5,000 as the exercise price, the Holder's cash outlay would be a total of $16,000; and if the aggregate sales price of the shares giving rise to such Buy-In obligation was $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $6,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(c) Partial Exercise. This Warrant shall be exercisable, either in its entirety or, from time to time, for part only of the number of Warrant Shares referenced by this Warrant. If this Warrant is submitted in connection with any exercise pursuant to Section 1 and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the actual number of Warrant Shares being acquired upon such an exercise, then the Company shall as soon as practicable and in no event later than five (5) Business Days after any exercise and at its own expense, issue a new Warrant of like tenor representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 16.

2. ISSUANCE OF WARRANT SHARES

(a) The Company covenants that all Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be (i) duly authorized, fully paid and non-assessable, and (ii) free from all liens, charges and security interests, with the exception of claims arising through the acts or omissions of any Holder and except as arising from applicable Federal and state securities laws.

(b) The Company shall register this Warrant upon records to be maintained by the Company for that purpose in the name of the record holder of such Warrant from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner thereof for the purpose of any exercise thereof, any distribution to the Holder thereof and for all other purposes.

(c) The Company will not, by amendment of its certificate of incorporation, by-laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all action necessary or appropriate in order to protect the rights of the Holder to exercise this Warrant, or against impairment of such rights.

3. ADJUSTMENTS OF EXERCISE PRICE, NUMBER AND TYPE OF WARRANT SHARES

(a) The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. If the Company does not have the requisite number of authorized but unissued shares of Common Stock to make any adjustment, the Company shall use its commercially best efforts to obtain the necessary stockholder consent to increase the authorized number of shares of Common Stock to make such an adjustment pursuant to this Section 3.

(i) Subdivision or Combination of Stock. In case the Company shall at any time subdivide (whether by way of stock dividend, stock split or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined (whether by way of stock combination, reverse stock split or otherwise) into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(i).

(ii) Dividends in Stock, Property, Reclassification. If at any time, or from time to time, all of the holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefore:

(A) any shares of stock or other securities that are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution, or

(B) additional stock or other securities or property (including cash) by way of spin-off, split-up, reclassification, combination of shares or similar corporate rearrangement (other than shares of Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3(a)(i) above),

then and in each such case, the Exercise Price and the number of Warrant Shares to be obtained upon exercise of this Warrant shall be adjusted proportionately, and the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to above) that such Holder would hold on the date of such exercise had such Holder been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(ii).

(iii) Reorganization, Reclassification, Consolidation, Merger or Sale. If any recapitalization, reclassification or reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets or other transaction shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property (an "**Organic Change**"), then, as a condition of such Organic Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant) such shares of stock, securities or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable assuming the full exercise of the rights represented by this Warrant. In the event of any Organic Change, appropriate provision shall be made by the Company with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable and receivable upon the exercise of this Warrant) shall thereafter be applicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof. The Company will not affect any such consolidation, merger or sale unless, prior to the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument reasonably satisfactory in form and substance to the Holder executed and mailed or delivered to the registered Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase. If there is an Organic Change, then the Company shall cause to be mailed to the Holder at its last address as it shall appear on the books and records of the Company, at least 10 calendar days before the effective date of the Organic Change, a notice stating the date on which such Organic Change is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares for securities, cash, or other property delivered upon such Organic Change; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to exercise this Warrant during the 10 calendar day period commencing on the date of such notice to the effective date of the event triggering such notice. In any event, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall be deemed to assume such obligation to deliver to such Holder such shares of stock, securities or assets even in the absence of a written instrument assuming such obligation to the extent such assumption occurs by operation of law.

(b) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 3, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall promptly furnish or cause to be furnished to such Holder a like certificate setting forth: (i) such adjustments and readjustments; and (ii) the number of shares and the amount, if any, of other property which at the time would be received upon the exercise of the Warrant.

(c) Certain Events. If any event occurs as to which the other provisions of this Section 3 are not strictly applicable but the lack of any adjustment would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, or if strictly applicable would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, then the Board of Directors will, in good faith, make an appropriate adjustment to protect the rights of the Holder; provided, that no such adjustment pursuant to this Section 3(c) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 3.

4. CHANGE OF CONTROL

In case of any Change of Control, then as a condition of such transaction, appropriate lawful provisions will be made whereby the Holder will have the right to acquire and receive upon exercise of this Warrant in lieu of the Warrant Shares immediately theretofore subject to acquisition upon the exercise of this Warrant, such shares of stock, securities or assets (including cash) that a holder of Warrant Shares deliverable upon exercise of this Warrant would have been entitled to receive in such transaction as if this Warrant had been exercised immediately prior to such transaction. In any such case, the Company will make appropriate provision to insure that the provisions of this Section 4 hereof will thereafter be applicable as nearly as may be in relation to any shares of stock or securities thereafter deliverable upon the exercise of this Warrant. In the event of a Change of Control in which all of the capital stock of the Company is exchanged exclusively for cash, the Company may elect to cancel this Warrant upon payment to the Holder of a cash payment equal to the excess, if any, between the cash price per share paid in the merger and the Exercise Price. If the cash price per share paid in the transaction is less than the Exercise Price, the Warrant shall automatically be cancelled on the effective date of the Change of Control, without the payment of any consideration to the Holder. In any event, the Company shall provide to the Holder at least twenty (20) days advance written notice of any transaction involving a Change of Control.

5. TRANSFERS AND EXCHANGES OF WARRANT AND WARRANT SHARES

(a) Registration of Transfers and Exchanges. Subject to Section 5(c), upon the Holder's surrender of this Warrant, with a duly executed copy of the Form of Assignment attached as **Exhibit B**, to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder, the Company shall register the transfer of all or any portion of this Warrant. Upon such registration of transfer, the Company shall issue a new Warrant, in substantially the form of this Warrant, evidencing the acquisition rights transferred to the transferee and a new Warrant, in similar form, evidencing the remaining acquisition rights not transferred, to the Holder requesting the transfer.

(b) Warrant Exchangeable for Different Denominations. The Holder may exchange this Warrant for a new Warrant or Warrants, in substantially the form of this Warrant, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder, each of such new Warrants to be dated the date of such exchange and to represent the right to purchase such number of Warrant Shares as shall be designated by the Holder. The Holder shall surrender this Warrant with duly executed instructions regarding such re-certification of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder.

(c) Restrictions on Transfers. This Warrant may not be transferred at any time without (i) registration under the Securities Act or (ii) an exemption from such registration and a written opinion of legal counsel addressed to the Company that the proposed transfer of the Warrant may be effected without registration under the Securities Act, which opinion will be in form and from counsel reasonably satisfactory to the Company, provided, however, that the requirement to deliver an opinion of counsel shall not apply in the case of transfers to an Affiliate of the Holder.

(d) Permitted Transfers and Assignments. Notwithstanding any provision to the contrary in this Section 5, the Holder may transfer, with or without consideration, this Warrant or any of the Warrant Shares (or a portion thereof) to the Holder's Affiliates (as such term is defined under Rule 144 of the Securities Act) without obtaining the opinion from counsel that may be required by Section 5(c)(ii); provided, that the Holder delivers to the Company and its counsel certification, documentation, and other assurances reasonably required by the Company's counsel to enable the Company's counsel to render an opinion to the Company's Transfer Agent that such transfer does not violate applicable securities laws.

6. MUTILATED OR MISSING WARRANT CERTIFICATE

If this Warrant is mutilated, lost, stolen or destroyed, upon request by the Holder, the Company will, at its expense, issue, in exchange for and upon cancellation of the mutilated Warrant, or in substitution for the lost, stolen or destroyed Warrant, a new Warrant, in substantially the form of this Warrant, representing the right to acquire the equivalent number of Warrant Shares; provided, that, as a prerequisite to the issuance of a substitute Warrant, the Company may require satisfactory evidence of loss, theft or destruction as well as an indemnity from the Holder of a lost, stolen or destroyed Warrant.

7. PAYMENT OF TAXES

The Company will pay all transfer and stock issuance taxes attributable to the preparation, issuance and delivery of this Warrant and the Warrant Shares (and replacement Warrants) including, without limitation, all documentary and stamp taxes; provided, however, that the Company shall not be required to pay any tax in respect of the transfer of this Warrant, or the issuance or delivery of certificates for Warrant Shares or other securities in respect of the Warrant Shares to any person or entity other than to the Holder.

8. FRACTIONAL WARRANT SHARES

No fractional Warrant Shares shall be issued upon exercise of this Warrant. The Company, in lieu of issuing any fractional Warrant Share, shall round up the number of Warrant Shares issuable to nearest whole share.

9. NO STOCK RIGHTS AND LEGEND

No holder of this Warrant, as such, shall be entitled to vote or be deemed the holder of any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any corporate action or to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise (except as provide herein).

Each certificate for Warrant Shares initially issued upon the exercise of this Warrant, and each certificate for Warrant Shares issued to any subsequent transferee of any such certificate, shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS."

10. INTENTIONALLY OMITTED

11. NOTICES

All notices, consents, waivers, and other communications under this Warrant must be in writing and will be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, if to the registered Holder hereof; or (d) seven days after the placement of the notice into the mails (first class postage prepaid), to the Holder at the address, facsimile number, or e-mail address furnished by the registered Holder to the Company in accordance with the Subscription Agreement by and between the Company and the Holder, or if to the Company, to it at 2249 S. McDowell Ext., Petaluma, CA 94954, Attn: Peter Wardenburg, CEO (or to such other address, facsimile number, or e-mail address as the Holder or the Company as a party may designate by notice the other party).

12. SEVERABILITY

If a court of competent jurisdiction holds any provision of this Warrant invalid or unenforceable, the other provisions of this Warrant will remain in full force and effect. Any provision of this Warrant held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

13. BINDING EFFECT

This Warrant shall be binding upon and inure to the sole and exclusive benefit of the Company, its successors and assigns, the registered Holder or Holders from time to time of this Warrant and the Warrant Shares.

14. SURVIVAL OF RIGHTS AND DUTIES

This Warrant shall terminate and be of no further force and effect on the earlier of 5:00 P.M., Eastern Time, on the Expiration Date or the date on which this Warrant has been exercised in full.

15. GOVERNING LAW

This Warrant will be governed by and construed under the laws of the State of New York without regard to conflicts of laws principles that would require the application of any other law.

16. DISPUTE RESOLUTION

In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two Business Days of receipt of the Notice of Exercise giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days, submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

17. NOTICES OF RECORD DATE

Upon (a) any establishment by the Company of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or right or option to acquire securities of the Company, or any other right, or (b) any capital reorganization, reclassification, recapitalization, merger or consolidation of the Company with or into any other corporation, any transfer of all or substantially all the assets of the Company, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, or the sale, in a single transaction, of a majority of the Company's voting stock (whether newly issued, or from treasury, or previously issued and then outstanding, or any combination thereof), the Company shall mail to the Holder at least ten (10) Business Days, or such longer period as may be required by law, prior to the record date specified therein, a notice specifying (i) the date established as the record date for the purpose of such dividend, distribution, option or right and a description of such dividend, option or right, (ii) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up, or sale is expected to become effective and (iii) the date, if any, fixed as to when the holders of record of Common Stock shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, transfer, consolation, merger, dissolution, liquidation or winding up.

18. RESERVATION OF SHARES

The Company shall reserve and keep available out of its authorized but unissued shares of Common Stock for issuance upon the exercise of this Warrant, free from pre-emptive rights, such number of shares of Common Stock for which this Warrant shall from time to time be exercisable. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation. Without limiting the generality of the foregoing, the Company covenants that it will use best efforts to take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and use best efforts to obtain all such authorizations, exemptions or consents, including but not limited to consents from the Company's stockholders or Board of Directors or any public regulatory body, as may be necessary to enable the Company to perform its obligations under this Warrant.

19. NO THIRD PARTY RIGHTS

This Warrant is not intended, and will not be construed, to create any rights in any parties other than the Company and the Holder, and no person or entity may assert any rights as third-party beneficiary hereunder.

20. AMENDMENT PROVISION

Any term of this Warrant may be amended, supplemented or waived upon the written consent of the Company and the holders of a majority in interest of all outstanding Placement Agent Warrants issued pursuant to the PAA, and such amendment, supplement or waiver shall be binding upon the Company and all holders of such Placement Agent Warrants, including the Holder, whether or not the Holder has consented to such amendment, supplement or waiver; *provided, however*, that any such amendment, supplement or waiver must apply to all outstanding Placement Agent Warrants issued pursuant to the PAA.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the date first set forth above.

**HYDROFARM HOLDINGS GROUP, INC.**

By: _____

Name: Peter Wardenburg
Title: Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

(To be executed by the Holder of Warrant if such Holder desires to exercise Warrant)

To Hydrofarm Holdings Group, Inc.:

The undersigned hereby irrevocably elects to exercise this Warrant and to purchase thereunder, _____ full shares of Hydrofarm Holdings Group, Inc. common stock, par value $0.0001 per share, issuable upon exercise of the Warrant and delivery of:

(1) $ _____ (in cash as provided for in the foregoing Warrant) and any applicable taxes payable by the undersigned pursuant to such Warrant; and

(2) _____ shares of Common Stock (pursuant to a Cashless Exercise in accordance with Section 1(b)(ii) of the Warrant) (check here if the undersigned desires to deliver an unspecified number of shares equal the number sufficient to effect a Cashless Exercise [___]).

The undersigned requests that certificates for such shares be issued in the name of:

_____

(Please print name, address and social security or federal employer identification number (if applicable))

_____

_____

Capitalized terms used herein without definition have the meaning ascribed to them in the Warrant. The undersigned hereby affirms that the undersigned is an "accredited investor" as defined under Rule 501 of Regulation D of the Securities Act of 1933, as amended. If the Holder cannot make the foregoing affirmation because it is factually incorrect, it shall be a condition to the exercise of the Warrant that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the issuance of securities upon exercise of this Warrant shall not violate any United States or other applicable securities laws.

If the shares issuable upon this exercise of the Warrant are not all of the Warrant Shares which the Holder is entitled to acquire upon the exercise of the Warrant, the undersigned requests that a new Warrant evidencing the rights not so exercised be issued in the name of and delivered to:

_____

(Please print name, address and social security or federal employer identification number (if applicable))

_____

_____

Name of Holder (print): _____
(Signature): _____
(By:) _____
(Title:) _____
Dated: _____

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED,_____ hereby sells, assigns and transfers to each assignee set forth below all of the rights of the undersigned under the Warrant (as defined in and evidenced by the attached Warrant) to acquire the number of Warrant Shares set opposite the name of such assignee below and in and to the foregoing Warrant with respect to said acquisition rights and the shares issuable upon exercise of the Warrant:

| Name of Assignee | Address | Number of Shares |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

If the total of the Warrant Shares are not all of the Warrant Shares evidenced by the foregoing Warrant, the undersigned requests that a new Warrant evidencing the right to acquire the Warrant Shares not so assigned be issued in the name of and delivered to the undersigned.

Name of Holder (print): _____
(Signature): _____
(By:) _____
(Title:) _____
Dated: _____

**Exhibit 4.4**

**FORM OF REGISTRATION RIGHTS AGREEMENT**

This Registration Rights Agreement (this "**Agreement**") is made and entered into effective as of [ ], 2018 (the "**Effective Date**") between Hydrofarm Holdings Group, Inc., a Delaware corporation (the "**Company**"), and the persons who have executed the signature page(s) hereto (each, a "**Purchaser**" and collectively, the "**Purchasers**").

**RECITALS:**

WHEREAS, the Company has entered into an Agreement and Plan of Merger with Hydrofarm Investment Corp., a Delaware corporation ("**Hydrofarm**"), pursuant to which Hydrofarm Acquisition, Inc., a newly organized, wholly-owned subsidiary of the Company has merged with and into Hydrofarm, with Hydrofarm remaining as the surviving entity and a wholly-owned subsidiary of the Company (the "**Merger**");

WHEREAS, concurrently with the effectiveness of the Merger and to provide new capital required by the Company for working capital and other purposes, the Company has consummated an offering in compliance with Rule 506(b) of Regulation D of the Securities Act (as defined herein), to accredited investors in a private placement transaction (the "**2018 PPO**"), units ("**Units**") of its securities, each priced at $2.50 per Unit with each Unit consisting of: (i) one share of common stock, par value $0.0001 ("**Common Stock**" or "**Investor Shares**"), and (ii) a warrant to purchase one half (1/2) of a share of Common Stock (the "**Investor Warrants**") at an initial exercise price of $5.00 per full share;

WHEREAS, concurrently with the 2018 PPO, Hydrofarm is conducting the Concurrent Offering (as hereinafter defined) and, as a result of the Merger, the Company shall issue the Concurrent Shares (as hereinafter defined) to existing stockholders of Hydrofarm participating in the Concurrent Offering;

WHEREAS, the initial closing of the 2018 PPO, the closing of the Concurrent Offering, and the consummation of the Merger has taken place on the Effective Date;

WHEREAS, in connection with the BWGS Transaction (as hereinafter defined), it is currently contemplated that Sun Capital (as hereinafter defined) will be making an equity investment in either (i) Hydrofarm or a subsidiary in Hydrofarm which will ultimately result in it receiving Investor Shares and Investor Warrants or (ii) the Company in exchange for the issuance of Investor Shares and Investor Warrants; provided, however that in the event the BWGS Transaction does not close, Sun Capital shall not receive Investor Shares or Investor Warrants (the "**Sun Capital Investment**");

WHEREAS, in connection with the 2018 PPO, the Concurrent Offering and the Sun Capital Investment, the Company agreed to provide certain registration rights related to the Investor Shares and the shares of Common Stock issuable upon exercise of the Investor Warrants, on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants, and conditions set forth herein, the parties mutually agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Agreement" has the meaning given it in the preamble to this Agreement.

"Allowed Delay" has the meaning given it in Section 3(e) of this Agreement.

"Approved Market" means the Nasdaq Stock Market, the New York Stock Exchange or the NYSE American.

"Blackout Period" means, with respect to a registration, a period, in each case commencing on the day immediately after the Company notifies the Purchasers that they are required, because of the occurrence of an event of the kind described in Section 4(f) hereof, to suspend offers and sales of Registrable Securities during which the Company, in the good faith judgment of its board of directors, determines (because of the existence of, or in anticipation of, any acquisition, financing activity, or other transaction involving the Company, or the unavailability for reasons beyond the Company's control of any required financial statements, disclosure of information which is in its best interest not to publicly disclose, or any other event or condition of similar significance to the Company) that the registration and distribution of the Registrable Securities to be covered by such Registration Statement, if any, would be seriously detrimental to the Company or its stockholders and ending on the earlier of (1) the date upon which the MNPI commencing the Blackout Period is disclosed to the public or ceases to be material and (2) such time as the Company notifies the selling Holders that the Company will no longer delay such filing of the Registration Statement, recommence taking steps to make such Registration Statement effective, or allow sales pursuant to such Registration Statement to resume.

"Business Day" means any day of the year, other than a Saturday, Sunday, or other day on which the Commission is required or authorized to close.

"BWGS" means BWGS, LLC, a Delaware limited liability company.

"BWGS Transaction" means that transaction pursuant to which a subsidiary of the Company will be acquiring all equity of BWGS, certain real property used by BWGS in its business and certain other assets or entities not owned by BWGS that are used by BWGS in its business.

"Commission" or "SEC" means the U.S. Securities and Exchange Commission or any other applicable federal agency at the time administering the Securities Act.

"Common Stock" means the common stock, par value $0.0001 per share, of the Company and any and all shares of capital stock or other equity securities of: (i) the Company which are added to or exchanged or substituted for the Common Stock by reason of the declaration of any stock dividend or stock split, the issuance of any distribution or the reclassification, readjustment, recapitalization or other such modification of the capital structure of the Company; and (ii) any other corporation, now or hereafter organized under the laws of any state or other governmental authority, with which the Company is merged, which results from any consolidation or reorganization to which the Company is a party, or to which is sold all or substantially all of the shares or assets of the Company, if immediately after such merger, consolidation, reorganization or sale, the Company or the stockholders of the Company own equity securities having in the aggregate more than 50% of the total voting power of such other corporation.

"Company" has the meaning given it in the preamble to this Agreement.

"Concurrent Offering" means the offering of up to $20 million of units in Hydrofarm which, in connection with the Merger, will ultimately be exchanged for securities with identical terms to the securities comprising the Units being offered in the 2018 PPO.

"Concurrent Shares" means the shares of Common Stock, and the shares of Common Stock underlying any warrants, issuable to the stockholders of Hydrofarm as a result of the Concurrent Offering, that may be issued as part of and in connection with the Merger.

"Effective Date" has the meaning given it in the preamble to this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Family Member" means (a) with respect to any individual, such individual's spouse, any descendants (whether natural or adopted), any trust all of the beneficial interests of which are owned by any of such individuals or by any of such individuals together with any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, the estate of any such individual, and any corporation, association, partnership or limited liability company all of the equity interests of which are owned by those above described individuals, trusts or organizations and (b) with respect to any trust, the owners of the beneficial interests of such trust.

"Holder" means each Purchaser or any of such Purchaser's respective successors and Permitted Assignees who acquire rights in accordance with this Agreement with respect to any Registrable Securities or Investor Warrants directly or indirectly from a Purchaser or from any Permitted Assignee.

"Initial Public Offering" means the initial underwritten sale of equity securities by the Company pursuant to an effective Registration Statement under the Securities Act.

"Initial Registration Statement" means the initial Registration Statement filed pursuant to this Agreement.

"IPO Engagement" has the meaning given it in Section 3(a) of this Agreement.

"Investor Shares" has the meaning given it in the recitals of this Agreement.

"Investor Warrants" has the meaning given it in the recitals of this Agreement.

"Majority Holders" means at any time Holders holding (directly and/or indirectly) a majority of the Registrable Securities.

"Merger" has the meaning given in the recitals of this Agreement.

"MNPI" means material non-public information within the meaning of Regulation FD promulgated under the Exchange Act, which shall, in any case, include the receipt of the notice pursuant to Section 3(b) and the information contained in such notice.

"Permitted Assignee" means (a) with respect to a partnership, its partners or former partners in accordance with their partnership interests, (b) with respect to a corporation, its stockholders in accordance with their interest in the corporation, (c) with respect to a limited liability company, its members or former members in accordance with their interest in the limited liability company, (d) with respect to an individual party, any Family Member of such party, (e) an entity that is controlled by, controls, or is under common control with a transferor, (f) a party to this Agreement or (g) as otherwise agreed in writing by the Company and such Holder.

"Piggyback Registration" means, in any registration of Common Stock as set forth in Section 3(b), the ability of holders of Registrable Securities to include Registrable Securities in such registration.

"Placement Agent " means A.G.P./Alliance Global Partners (as lead Placement Agent) and Aegis Capital Corp. (as a co-Placement Agent).

"Redemption Notice" has the meaning given it in Section 3(f) of this Agreement.

The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registrable Securities" means the Investor Shares, the Concurrent Shares and the Registrable Warrant Shares but excluding, subject to Section 3(e), (i) any Registrable Securities that have been publicly sold; (ii) any Registrable Securities sold by a person in a transaction pursuant to a registration statement filed under the Securities Act, or (iii) any Registrable Securities that are at the time subject to an effective registration statement under the Securities Act.

"Registrable Warrant Shares" means the shares of Common Stock issued or issuable to a Holder upon exercise of the Investor Warrants.

"Registration Default Date" means the date that is 180 days after the date the Registration Statement is publicly filed with the Commission; provided, however, that the Registration Default Date is subject to adjustment as set forth under Section 3(a) of this Agreement.

"Registration Default Period" means the period following the Registration Default Date during which any Registration Event occurs and is continuing.

"Registration Event" means the occurrence of any of the following events:

(a) the Company fails to file with the Commission the Registration Statement on or before the Registration Filing Date;

(b) the Registration Statement is not declared effective by the Commission on or before the Registration Default Date, except as excused pursuant to Section 3(e);

(c) after the SEC Effective Date, sales cannot be made pursuant to the Registration Statement for any reason (including without limitation by reason of a stop order, or the Company's failure to update the Registration Statement) except as excused pursuant to Section 3(e); or

(d) after the SEC Effective Date, the Common Stock generally or the Registrable Securities specifically are not listed or included for quotation on an Approved Market, or trading of the Common Stock is suspended or halted on the Approved Market, which at the time constitutes the principal market for the Common Stock, for more than two full, consecutive Trading Days;

provided, however, a Registration Event shall not be deemed to occur if: (1) all or substantially all trading in equity securities (including the Common Stock) is suspended or halted on the Approved Market for any length of time; (2) the Company commences and pursues an Initial Public Offering, as set forth in Section 3(a) of this Agreement, in which case the Registration Filing Date and the Registration Default Date will be governed as set forth in Section 3(a); or (3) the Company declares a Blackout Period; provided however that the Company shall only be permitted to declare two (2) Blackout Periods in any twelve (12) month period.

"Registration Filing Date" means the date that is ninety (90) days after the date of the final closing of the 2018 PPO; provided however, that the Registration Filing Date is subject to adjustment as set forth under Section 3(a) of this Agreement.

"Registration Statement " means the registration statement that the Company is required to file pursuant to this Agreement to register the Registrable Securities.

"Release Date" has the meaning given it in Section 3(f) of this Agreement.

"Rule 144" means Rule 144 promulgated by the Commission under the Securities Act.

"Rule 145" means Rule 145 promulgated by the Commission under the Securities Act.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute promulgated in replacement thereof, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"SEC Effective Date" means the date the Registration Statement is declared effective by the Commission.

"Sun Capital" means Sun Capital Partners Group VI, LLC, a Delaware limited liability company and its affiliates.

"Trading Day" means (a) if the Common Stock is listed or quoted on an Approved Market, then any day during which securities are generally eligible for trading on the Approved Market, or (b) if the Common Stock is not then listed or quoted and traded on an Approved Market, then any business day.

"Transfer" has the meaning given it in Section 3(f) of this Agreement.

2. Term. This Agreement shall continue in full force and effect for a period of one year from the SEC Effective Date, unless terminated sooner hereunder.

3. Registration.

(a) Registration on Form S-1. Not later than the Registration Filing Date, the Company shall file with the Commission a Registration Statement on Form S-1, or any other similar long-form registration, relating to the resale by the Holders of all of the Registrable Securities, and the Company shall use its best efforts to cause such Registration Statement to be declared effective prior to the Registration Default Date. Notwithstanding the foregoing, in the event the Company signs a letter of intent or comparable agreement with an underwriter(s) which contemplates an Initial Public Offering (the "**IPO Engagement**"), then the Company shall have the right to extend the Registration Filing Date to the earlier of (i) such date that is acceptable to such underwriter(s); provided that such date may be no later than six months following the effective date of the Registration Statement filed in connection with such IPO Engagement, or (ii) 45 days from effective date of any termination or abandonment of such IPO Engagement. The registration rights under this Section 3 shall not apply or be available with respect to securities of the Company held by affiliates (as defined in Rule 405 under the Securities Act) and related persons (as defined in Rule 404 under the Securities Act) of the Placement Agent or the officers and directors of the Company and their affiliates.

(b) Piggyback Registration. Following the Initial Public Offering, if the Company shall determine to register for sale for cash any of its Common Stock, for its own account or for the account of others (other than the Holders), other than (i) the Initial Public Offering, (ii) a registration relating solely to employee benefit plans or securities issued or issuable to employees, consultants (to the extent the securities owned or to be owned by such consultants could be registered on Form S-8) or any of their Family Members (including a registration on Form S-8) or (iii) a registration relating to a Securities Act Rule 145 transaction or a registration on Form S-4 in connection with a merger, acquisition, divestiture, reorganization or similar event, the Company shall promptly give to the Holders written notice thereof (and in no event shall such notice be given less than twenty (20) calendar days prior to the public filing of such registration statement (the "**Piggyback Registration Statement**")), and shall, subject to Section 3(c), include as a Piggyback Registration all of the Registrable Securities specified in a written request delivered by the Holder thereof within ten (10) calendar days after receipt of such written notice from the Company. However, the Company may, without the consent of the Holders, withdraw such Piggyback Registration Statement prior to its becoming effective if the Company or such other stockholders have elected to abandon the proposal to register the securities proposed to be registered thereby.

(c) Underwriting. If a Piggyback Registration is for a registered public offering that is to be made by an underwriting other than an IPO Engagement, the Company shall so advise the Holders of the Registrable Securities eligible for inclusion in such Registration Statement pursuant to Sections 3(b). In that event, the right of any Holder to Piggyback Registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to sell any of their Registrable Securities through such underwriting shall (together with the Company and any other stockholders of the Company selling their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting by the Company or the selling stockholders, as applicable. Notwithstanding any other provision of this Section 3, if the managing underwriter(s) or the Company determines that marketing factors require a limitation on the number of shares of Common Stock or the amount of other securities to be underwritten, the managing underwriter(s), at its sole discretion, may exclude some or all Registrable Securities from such registration and underwriting. The Company shall so advise all Holders (except those Holders who failed to timely elect to include their Registrable Securities through such underwriting or have indicated to the Company their decision not to do so), and indicate to each such Holder the number of shares of Registrable Securities that may be included in the registration and underwriting, if any. The number of shares of Registrable Securities to be included in such registration and underwriting shall be allocated among such Holders as follows:

(i) If the Piggyback Registration was initiated by the Company, the number of shares that may be included in the registration and underwriting shall be allocated first to the Company and then, subject to obligations and commitments existing as of the date hereof, to all selling stockholders, including the Holders, who have requested to sell in the registration on a pro rata basis according to the number of shares requested to be included therein; or

(ii) If the Piggyback Registration was initiated by the exercise of demand registration rights by a stockholder or stockholders of the Company (other than the Holders), then the number of shares that may be included in the registration and underwriting shall be allocated first to such selling stockholders who exercised such demand and then, subject to obligations and commitments existing as of the date hereof, to all other selling stockholders, including the Holders, who have requested to sell in the registration on a pro rata basis according to the number of shares requested to be included therein.

No Registrable Securities excluded from the underwriting by reason of the managing underwriter's marketing limitation shall be included in such registration and no liquidated damages as set forth in Section 3(d) shall accrue with respect to such excluded securities. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw such Holder's Registrable Securities therefrom by delivering a written notice to the Company and the managing underwriter(s). The Registrable Securities so withdrawn from such underwriting shall also be withdrawn from such registration; provided, however, that, if by the withdrawal of such Registrable Securities, a greater number of Registrable Securities held by other Holders may be included in such registration (up to the maximum of any limitation imposed by the managing underwriter(s)), then the Company shall offer to all Holders who have included Registrable Securities in the registration the right to include additional Registrable Securities pursuant to the terms and limitations set forth herein in the same proportion used above in determining the underwriter limitation.

(d) Liquidated Damages Following a Registration Event. If a Registration Event occurs, then the Company will make payments to each Holder of Registrable Securities (each, a "**Qualified Purchaser**"), as liquidated damages for the amount of damages to the Qualified Purchaser by reason thereof, at a rate equal to 0.50% of the purchase price per Unit paid by such Qualified Purchaser in the 2018 PPO for the Registrable Securities then held by such Qualified Purchaser for each full period of 30 days of the Registration Default Period (which shall be pro-rated for any period less than 30 days). Notwithstanding the foregoing, the maximum amount of liquidated damages that may be paid to any Qualified Purchaser pursuant to this Section 3(d) shall be an amount equal to 6% of the aggregate purchase price paid by such Qualified Purchaser in the 2018 PPO for the Registrable Securities held by such Qualified Purchaser at the time of the first occurrence of a Registration Event. Each such payment shall be due and payable within five Business Days after the end of each full 30-day period of the Registration Default Period until the termination of the Registration Default Period and within five (5) Business Days after such termination. Such payments shall constitute the Qualified Purchaser's exclusive remedy for any damages resulting from a Registration Event. If the Company fails to pay any partial liquidated damages pursuant to this Section 3(d) in full within seven (7) Business Days after the date payable, the Company will pay interest thereon at a rate of 5% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Qualified Purchaser, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The Registration Default Period shall terminate upon the earlier of (i) the filing of the Registration Statement (if the Registration Event was triggered by clause (a) of the definition thereof), (ii) the SEC Effective Date (if the Registration Event was triggered by clause (b) of the definition thereof), (iii) the ability of the Qualified Purchaser to effect sales pursuant to the Registration Statement (if the Registration Event was triggered by clause (c) of the definition thereof and not excused pursuant to Section 3(e)), and (iv) the listing or inclusion and/or trading of the Common Stock on an Approved Market, as the case may be (if the Registration Event was triggered by clause (d) of the definition thereof). The amounts payable as liquidated damages pursuant to this Section 3(d) shall be payable in lawful money of the United States.

(e) Notwithstanding the provisions of Section 3(d) above:

(1)(a) if the Commission does not declare the Registration Statement effective on or before the Registration Default Date, or (b) if the Commission allows the Registration Statement to be declared effective at any time before or after the Registration Default Date, subject to the withdrawal of certain Registrable Securities from the Registration Statement, and the reason for (a) or (b) is the Commission's determination that (x) the offering of any of the Registrable Securities constitutes a primary offering of securities by the Company, (y) Rule 415 may not be relied upon for the registration of the resale of any or all of the Registrable Securities, and/or (z) a Holder of any Registrable Securities must be named as an underwriter, the Holders understand and agree that in the case of (b) the Company may reduce, on a *pro rata* basis, the total number of Registrable Securities to be registered on behalf of each such Holder, and, in the case of (a) or (b), that a Holder shall not be entitled to any liquidated damages under Section 3(d) with respect to the Registrable Securities not registered for the reason set forth in (a), or so reduced on a *pro rata* basis as set forth in (b). In any such *pro rata* reduction, the number of Registrable Securities to be registered on such Registration Statement will be reduced (i) first, by the Registrable Securities represented by the Registrable Warrant Shares (applied, in the case that some Registrable Warrant Shares may be registered, to the Holders on a *pro rata* basis based on the total number of unregistered Registrable Warrant Shares held by such Holders on a fully diluted basis), and (ii) second, by the Registrable Securities represented by Investor Shares (applied, in the case that some Investor Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Investor Shares). In addition, any such affected Holder shall be entitled to Piggyback Registration rights after the Registration Statement is declared effective by the Commission until such time as: (AA) all Registrable Securities have been registered pursuant to an effective Registration Statement, (BB) the Registrable Securities may be resold without restriction pursuant to SEC Rule 144 of the Securities Act or (CC) the Holder agrees to be named as an underwriter in any such registration statement. The Holders acknowledge and agree the provisions of this paragraph may apply to more than one Registration Statement; and

(2) For not more than thirty (30) consecutive days or for a total of not more than sixty (60) days in any twelve (12) month period, the Company may suspend the use of any prospectus included in any Registration Statement contemplated by this Section in the event that the Company determines in good faith that such suspension is necessary to (A) delay the disclosure of MNPI concerning the Company, the disclosure of which at the time is not, in the good faith opinion of the Company, in the best interests of the Company or (B) amend or supplement the affected Registration Statement or the related prospectus so that (i) such Registration Statement shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein or (ii) such prospectus shall not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, including in connection with the filing of a post-effective amendment to such Registration Statement in connection with the Company's filing of an Annual Report on Form 10-K for any fiscal year (an "Allowed Delay"); provided, that the Company shall promptly (a) notify each Holder in writing of the commencement of an Allowed Delay, but shall not (without the prior written consent of an Holder) disclose to such Holder any MNPI giving rise to an Allowed Delay, (b) advise the Holders in writing to cease all sales under the Registration Statement until the end of the Allowed Delay and (c) use commercially reasonable efforts to terminate an Allowed Delay as promptly as practicable.

In the event of an Allowed Delay, the liquidated damages set forth in Section 3(d) shall not accrue during such Allowed Delay.

(f) Holdback Agreements. (A) Subject to paragraphs (B), (C) and (D) below, from and after the SEC Effective Date, each Holder understands that (i) it shall not sell, offer, pledge, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, grant any right or warrant to purchase, lend or otherwise transfer or encumber, directly or indirectly, any shares of the Registrable Securities, nor shall such Holder enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of the Registrable Securities (any of the foregoing under (i), a "**Transfer**") until the Release Date (as defined below); provided, however, that such Holder shall be permitted to Transfer up to 50% of such Holder's Registrable Securities held by it at any time on or after the SEC Effective Date, and (ii) following the Release Date, it shall be entitled to Transfer all remaining Registrable Securities held by such Holder. Each Holder hereby covenants and agrees that (x) it shall abide by the restrictions set forth above and (y) the Company shall be entitled to place "stop transfer" instructions with the Company's transfer agent in compliance with the above restrictions. For purposes of this clause (f), the term **"Release Date"** shall mean the date that is 90 days after the SEC Effective Date; provided, that in the event the Company delivers a notice of redemption to the Holders of the Investor Warrants (pursuant to the terms of such warrants) (the "**Redemption Notice**"), the restrictions set forth above shall terminate effective on the date of delivery of the Redemption Notice.

(B) Notwithstanding Section 3(f)(A) above, but subject to paragraph (C) below, in the event the Closing Price is $10.00 or above (as adjusted for any stock split, share dividends, share combinations, or the like) for 20 consecutive trading days, all Registrable Securities shall be released from the holdback agreements of paragraph (A) above. The "**Closing Price**" means, for any date, the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary eligible market or exchange on which the Common Stock is then listed or quoted.

(C) Notwithstanding paragraphs (A) or (B) above, in the event that there is an IPO Engagement, then each Holder hereby agrees that it shall not Transfer any of the Registrable Securities or Investor Warrants until the date that is six (6) months after the effective date of the Registration Statement filed in connection with such IPO Engagement (the "**Lock -Up Period**"). In furtherance of the foregoing, the Holder agrees, upon request of the Company, to enter into a lock-up agreement consistent with the foregoing as may be required by any underwriter engaged by the Company in connection with such IPO Engagement.

(D) Notwithstanding anything to the contrary, Section 3(f) shall not apply to Transfers to Permitted Assignees.

(E) Subject to the Company's other obligations in this Agreement, the Company shall have the right to terminate or withdraw any registration initiated by it under Section 3(b) whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6.

4. Registration Procedures for Registrable Securities. The Company will keep each Holder reasonably advised as to the filing and effectiveness of the Registration Statement. At its expense with respect to the Registration Statement, the Company will:

(a) prepare and file with the Commission with respect to the Registrable Securities, a Registration Statement on Form S-1, or any other form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities in accordance with the intended methods of distribution thereof, and use its commercially reasonable efforts to cause such Registration Statement to become effective and shall remain effective for a period of one (1) year or for such shorter period ending on the date when (i) all of the Registrable Securities registered thereunder shall have been sold or (ii) all Registrable Securities may be resold without restriction pursuant to SEC Rule 144 of the Securities Act (the "**Effectiveness Period**"). Thereafter, the Company shall be entitled to withdraw such Registration Statement and the Holders shall have no further right to offer or sell any of the Registrable Securities registered for resale thereon pursuant to the respective Registration Statement (or any prospectus relating thereto);

(b) if the Registration Statement is subject to review by the Commission, respond in a commercially reasonable manner to all comments and diligently pursue resolution of any comments to the satisfaction of the Commission;

(c) prepare and file with the Commission such amendments and supplements to such Registration Statement as may be necessary to keep such Registration Statement effective during the Effectiveness Period;

(d) furnish, without charge, to each Holder of Registrable Securities covered by such Registration Statement (i) a reasonable number of copies of such Registration Statement (including any exhibits thereto other than exhibits incorporated by reference), each amendment and supplement thereto as such Holder may reasonably request, (ii) such number of copies of the prospectus included in such Registration Statement (including each preliminary prospectus and any other prospectus filed under Rule 424 of the Securities Act) as such Holders may reasonably request, in conformity with the requirements of the Securities Act, and (iii) such other documents as such Holder may require to consummate the disposition of the Registrable Securities owned by such Holder, but only during the Effectiveness Period;

(e) use its commercially reasonable efforts to register or qualify such registration under such other applicable securities laws of such jurisdictions as any Holder of Registrable Securities covered by such Registration Statement reasonably requests and as may be necessary for the marketability of the Registrable Securities (such request to be made by the time the applicable Registration Statement is deemed effective by the Commission) and do any and all other acts and things necessary to enable such Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Holder; provided, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph, (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction.

(f) notify each Holder of Registrable Securities, the disposition of which requires delivery of a prospectus relating thereto under the Securities Act, of the happening of any event (as promptly as practicable after becoming aware of such event), which comes to the Company's attention, that will after the occurrence of such event cause the prospectus included in such Registration Statement, if not amended or supplemented, to contain an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and the Company shall promptly thereafter prepare and furnish to such Holder a supplement or amendment to such prospectus (or prepare and file appropriate reports under the Exchange Act) so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless suspension of the use of such prospectus otherwise is authorized herein or in the event of a Blackout Period, in which case no supplement or amendment need be furnished (or Exchange Act filing made) until the termination of such suspension or Blackout Period;

(g) comply, and continue to comply during the Effectiveness Period, in all material respects with the Securities Act and the Exchange Act and with all applicable rules and regulations of the Commission with respect to the disposition of all securities covered by such Registration Statement;

(h) as promptly as practicable after becoming aware of such event, notify each Holder of Registrable Securities being offered or sold pursuant to the Registration Statement of the issuance by the Commission of any stop order or other suspension of effectiveness of the Registration Statement;

(i) use its commercially reasonable efforts to cause all the Registrable Securities covered by the Registration Statement to be quoted on such Approved Market on which securities of the same class or series issued by the Company are then listed or quoted;

(j) provide a transfer agent and registrar, which may be a single entity, for the shares of Common Stock registered hereunder;

(k) if requested by the Holders, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to the Registration Statement, which certificates shall be free, to the extent permitted by applicable law, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holders may request;

(l) during the Effectiveness Period, refrain from bidding for or purchasing any Common Stock or any right to purchase Common Stock or attempting to induce any person to purchase any such security or right if such bid, purchase or attempt would in any way limit the right of the Holders to sell Registrable Securities by reason of the limitations set forth in Regulation M of the Exchange Act; and

(m) take all other reasonable actions necessary to expedite and facilitate the disposition by the Holders of the Registrable Securities pursuant to the Registration Statement.

5. Suspension of Offers and Sales. Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(f) hereof or of the commencement of a Blackout Period, such Holder shall discontinue the disposition of Registrable Securities included in the Registration Statement until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4(f) hereof or notice of the end of the Blackout Period, and, if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies (including, without limitation, any and all drafts), other than permanent file copies, then in such Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

6. Registration Expenses. The Company shall pay all expenses in connection with any registration obligation provided herein, including, without limitation, all registration, filing, stock exchange fees, printing expenses, all fees and expenses of complying with applicable securities laws, and the fees and disbursements of counsel for the Company and of its independent accountants; provided, that, in any registration, each party shall pay for its own underwriting discounts and commissions and transfer taxes. Except as provided in this Section 6 and Section 9, the Company shall not be responsible for the expenses of any attorney or other advisor employed by a Holder.

7. Assignment of Rights. No Holder may assign its rights under this Agreement to any party without the prior written consent of the Company; provided, however, that any Holder may assign its rights under this Agreement without such consent to a Permitted Assignee as long as (a) such transfer or assignment is effected in accordance with applicable securities laws; (b) such transferee or assignee agrees in writing to become subject to the terms of this Agreement; and (c) such Holder notifies the Company in writing of such transfer or assignment, stating the name and address of the transferee or assignee and identifying the Registrable Securities with respect to which such rights are being transferred or assigned.

8. Information by Holder. A Holder with Registrable Securities included in any registration shall furnish to the Company (and any managing underwriter(s), where applicable) such information regarding itself, the Registrable Securities held by it, the intended method of disposition of such securities, and such other information as shall be required in order to comply with any applicable law or regulation in connection with the registration of such Holder's Registrable Securities or any qualification or compliance with respect to such Holder's Registrable Securities and referred to in this Agreement. A form of Selling Stockholder Questionnaire is attached as Exhibit A hereto for such purposes.

9. Indemnification.

(a) In the event of the offer and sale of Registrable Securities under the Securities Act, the Company shall, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, each Holder, its directors, officers, partners, each other person who participates as an underwriter in the offering or sale of such securities, and each other person, if any, who controls or is under common control with such Holder or any such underwriter within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, and expenses to which the Holder or any such director, officer, partner or underwriter or controlling person may become subject under the Securities Act, the Exchange Act, or any other federal or state law, insofar as such losses, claims, damages, liabilities or expenses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (1), in the case of any registration statement prepared and filed by the Company under which Registrable Securities were registered under the Securities Act, if such registration statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (2) in the case of any preliminary prospectus, final prospectus or summary prospectus contained in such registration statement, or any amendment or supplement thereto, if such preliminary prospectus, final prospectus or summary prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, or any violation or alleged violation of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with this Agreement; and the Company shall reimburse the Holder, and each such director, officer, partner, underwriter and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating, defending or settling any such loss, claim, damage, liability, action or proceeding; provided, that such indemnity agreement found in this Section 9(a) shall in no event exceed the net proceeds from the 2018 PPO received by the Company; and provided further, that the Company shall not be liable in any such case (i) to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement in or omission from such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by the Holder specifically for use in the preparation thereof or (ii) if the person asserting any such loss, claim, damage, liability (or action or proceeding in respect thereof) who purchased the Registrable Securities that are the subject thereof did not receive a copy of the preliminary prospectus or the final prospectus (or the final prospectus as amended or supplemented) at or prior to the written confirmation of the sale of such Registrable Securities to such person because of the failure of such Holder or underwriter to so provide such preliminary or final prospectus and the untrue statement or omission of a material fact made in such preliminary prospectus was corrected in the amended preliminary or final prospectus (or the final prospectus as amended or supplemented). Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Holders, or any such director, officer, partner, underwriter or controlling person and shall survive the transfer of such shares by the Holder.

(b) As a condition to including Registrable Securities in any registration statement filed pursuant to this Agreement, each Holder agrees to be bound by the terms of this Section 9 and to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers, and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which the Company or any such director or officer or controlling person may become subject under the Securities Act, the Exchange Act, or any other federal or state law, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with the prospectus delivery requirements of the Securities Act or (y)(1), in the case of any registration statement prepared and filed by the Company under which Registrable Securities were registered under the Securities Act, if such registration statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (2) in the case of any preliminary prospectus, final prospectus or summary prospectus contained in such registration statement, or any amendment or supplement thereto, such preliminary prospectus, final prospectus or summary prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, (i) to the extent, but only to the extent, that such untrue statement or omission referred to in (y)(1) or (y)(2) above is contained in any information so furnished in writing by such Holder to the Company specifically for inclusion in the registration statement or such prospectus or (ii) to the extent that (1) such untrue statements or omissions referred to in (y)(1) or (y)(2) above are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such prospectus or such form of prospectus or in any amendment or supplement thereto or (2) in the case of an occurrence of an event of the type specified in Section 4(f) hereof, the use by such Holder of an outdated or defective prospectus after the Company has notified such Holder in writing that the prospectus is outdated or defective and prior to the receipt by such Holder of the advice contemplated in Section 4(f). Each Holder's obligation to indemnify shall be individual, not joint and several, and in no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in this Section (including any governmental action), such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the indemnifying party of the commencement of such action; provided, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties arises in respect of such claim after the assumption of the defenses thereof or the indemnifying party fails to defend such claim in a diligent manner. If, in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties arises in respect of such claim after the assumption of the defenses thereof, the indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party. No indemnifying party shall be liable for any settlement of any action or proceeding effected without its consent. No indemnifying party shall, without the consent of the indemnified party (which consent shall not be unreasonably withheld, conditioned or delayed), consent to entry of any judgment or enter into any settlement, unless such consent to entry of judgment or settlement includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. Notwithstanding anything to the contrary set forth herein, and without limiting any of the rights set forth above, in any event any party shall have the right to retain, at its own expense, counsel with respect to the defense of a claim.

(d) If an indemnifying party does or is not permitted to assume the defense of an action pursuant to Sections 9(c) or in the case of the expense reimbursement obligation set forth in Sections 9(a) and (b), the indemnification required by Sections 9(a) and 9(b) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills received or expenses, losses, damages, or liabilities are incurred provided that the indemnifying party is provided appropriate documentation.

(e) If the indemnification provided for in Section 9(a) or 9(b) is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall (i) contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense as is appropriate to reflect the proportionate relative fault of the indemnifying party on the one hand and the indemnified party on the other (determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission), or (ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to the indemnified party than the amount hereinafter calculated, not only the proportionate relative fault of the indemnifying party and the indemnified party, but also the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other, as well as any other relevant equitable considerations. No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

(f) Other Indemnification. Indemnification similar to that specified in this Section (with appropriate modifications) shall be given by the Company and each Holder of Registrable Securities with respect to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act, provided, however, to the extent the provisions included in an underwriting agreement entered in connection therewith are in conflict with any provisions in this Section, the provisions in the underwriting agreement shall control.

10. Rule 144. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit the Holders to sell the Registrable Securities to the public without registration, the Company agrees to use commercially reasonable efforts to: (i) to make and keep public information available as those terms are understood in SEC Rule 144, (ii) to file with the SEC in a timely manner all reports and other documents required to be filed by an issuer of securities registered under the Securities Act or the Exchange Act pursuant to SEC Rule 144, (iii) as long as any Holder owns any Registrable Securities, to furnish in writing upon such Holder's request a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 and of the Securities Act and the Exchange Act, and to furnish to such Holder a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as may be reasonably requested in availing such Holder of any rule or regulation of the SEC permitting the selling of any such Registrable Securities without registration, (iv) with respect to the sale of any Registrable Securities by a Holder pursuant to SEC Rule 144 and subject to Holder providing necessary documentation to meet the requirements of such rule, to promptly furnish, without any charge to such Holder, a written legal opinion of its counsel to facilitate such sale and, if necessary, instruct its transfer agent in writing that it may rely on said written legal opinion of counsel with respect to said sale and (v) undertake any additional actions commercially necessary to maintain the availability of Rule 144.

11. Independent Nature of Each Purchaser's Obligations and Rights. The obligations of each Purchaser under this Agreement are several and not joint with the obligations of any other Purchaser, and each Purchaser shall not be responsible in any way for the performance of the obligations of any other Purchaser under this Agreement. Nothing contained herein and no action taken by any Purchaser pursuant hereto, shall be deemed to constitute such Purchasers as a partnership, an association, a joint venture, or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose.

12. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Delaware, both substantive and remedial, without regard to Delaware conflicts of law principles. Any judicial proceeding brought against either of the parties to this Agreement or any dispute arising out of this Agreement or any matter related hereto shall be brought in the courts of the State of Delaware, New Castle County, or in the United States District Court for the District of Delaware and, by its execution and delivery of this Agreement, each party to this Agreement accepts the jurisdiction of such courts. The foregoing consent to jurisdiction shall not be deemed to confer rights on any person other than the parties to this Agreement.

(b) Remedies. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages (subject to the provisions of Section 3(d)), shall be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree, except with respect to the provisions of Section 3(d), that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(c) Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, Permitted Assignees, executors and administrators of the parties hereto.

(d) No Inconsistent Agreements. The Company has not entered, as of the date hereof, and shall not enter, on or after the date of this Agreement, into any agreement with respect to its securities that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof.

(e) Entire Agreement . This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof.

(f) Notices, etc. All notices or other communications which are required or permitted under this Agreement shall be in writing and sufficient if delivered by hand, by facsimile transmission, by registered or certified mail, postage pre-paid, by electronic mail, or by courier or overnight carrier, to the persons at the addresses set forth below (or at such other address as may be provided hereunder), and shall be deemed to have been delivered as of the date so delivered:

If to the Company to:

Hydrofarm Holdings Group, Inc.
2249 S. McDowell Ext.
Petaluma, CA 94954
Attn: Peter Wardenburg, CEO
E-mail: peter@hydrofarm.com

with copy to:

Zysman, Aharoni, Gayer & Co. and Sullivan & Worcester LLP
1633 Broadway, 32nd Floor
New York, NY 10019
Attn: Oded Har-Even, Esq.
Email: ohareven@zag-sw.com

and
Perkins Coie LLP
1900 Sixteenth Street
Suite 1400
Denver, CO 80202
Attn: Sonny Allison, Esq.
Email: SAllison@perkinscoie.com

If to the Purchasers:

To each Purchaser at the address set forth on the signature page hereto or at such other address as any party shall have furnished to the Company in writing.

(g) Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Holder, upon any breach or default of the Company under this Agreement, shall impair any such right, power or remedy of such Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereunder occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Holder of any breach or default under this Agreement, or any waiver on the part of any Holder of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to any holder, shall be cumulative and not alternative.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or electronic transmission via .PDF file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or electronic signature page were an original thereof.

(i) Severability. In the case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) Amendments. The provisions of this Agreement may be amended at any time and from time to time, and particular provisions of this Agreement may be waived, with and only with an agreement or consent in writing signed by the Company and the Majority Holders. The Purchasers acknowledge that by the operation of this Section, the Majority Holders may have the right and power to diminish or eliminate all rights of the Holders under this Agreement.

**[*SIGNATURE PAGES FOLLOW*]**

This Registration Rights Agreement is hereby executed as of the date first above written.

**COMPANY:**

**HYDROFARM HOLDINGS GROUP, INC.**

By: _____
Name: Peter Wardenburg
Title: Chief Executive Officer

**EACH PURCHASER'S SIGNATURE TO THE SUBSCRIPTION AGREEMENT THAT IS DELIVERD IN CONNECTION WITH THE 2018 PPO SHALL CONSTITUTE SUCH PURCHASER'S SIGNATURE TO THIS REGISTRATION RIGHTS AGREEMENT.**

**THIS SIGNATURE PAGE IS FOR NON 2018 PPO INVESTORS**

This Registration Rights Agreement is hereby executed as of the date first above written.

**HOLDER:**

**Entity:**

**Name of Entity:**

By _____
Signature

Name and Title: _____

Address: _____

_____

Email: _____

Number of Shares of Common Stock: _____

Number of Shares of Common Stock underlying warrants: _____

**Individual:**

_____
Signature

Name: _____

Address: _____

_____

Email: _____

Number of Shares of Common Stock: _____

Number of Shares of Common Stock underlying warrants: _____

**HYDROFARM HOLDINGS GROUP, INC.**
OMNIBUS SIGNATURE PAGE TO THE
SUBSCRIPTION AGREEMENT AND REGISTRATION RIGHTS AGREEMENT

**Subscriber hereby elects to subscribe under the Subscription Agreement for a total of $[ ] of Units at a price of $2.50 per Unit (NOTE: to be completed by subscriber) and, by execution and delivery hereof, Subscriber hereby executes the Subscription Agreement and agrees to be bound by the terms and conditions of the Subscription Agreement and the Registration Rights Agreement.**

If the Purchaser is an INDIVIDUAL, and if purchased as JOINT TENANTS, as TENANTS IN COMMON, or as COMMUNITY PROPERTY:

| | |
|---|---|
| **Print Name(s)** | **Social Security Number(s)** |
| **Signature(s) of Subscriber(s)** | **Signature** |
| **Date** | **Address** |

If the Purchaser is a PARTNERSHIP, CORPORATION, LIMITED LIABILITY COMPANY or TRUST:

| | |
|---|---|
| **Name of Entity** | **Federal Taxpayer Identification Number** |
| **By:**<br>**Name:**<br>**Title:** | **State of Organization** |
| **Date** | **Address** |
| **Fax Number** | **Email Address** |
| **HYDROFARM HOLDINGS GROUP, INC.** | **A.G.P./ALLIANCE GLOBAL PARTNERS** |
| By:<br>Authorized Officer | By:<br>Authorized Officer |
| | **AEGIS CAPITAL CORP.** |
| | By:<br>Authorized Officer |

**Exhibit A**

**HYDROFARM HOLDINGS GROUP, INC.**
**STOCKHOLDERS' QUESTIONNAIRE**

The following information is requested from you in connection with the preparation and filing by Hydrofarm Holdings Group, Inc. (the "Company") of a Registration Statement on Form S-1 or other appropriate form (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") for the registration and resale under the Securities Act of 1933, as amended (the "Securities Act"), of the Company's common stock, including shares of common stock underlying certain Warrants (the "Registrable Securities") acquired pursuant to a private placement by the Company.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus or supplements thereto.

We would appreciate your answering all of the questions included in this questionnaire, even though your answers may be in the negative, so that the Company will have a record of your responses for use in connection with the preparation of the Registration Statement. It is requested that you give careful attention to each question and that you complete this questionnaire personally.

In order to assist you in completing this questionnaire, certain terms used herein are defined in the appendix which is attached to this questionnaire. Each of such defined terms has been ***bolded and italicized*** for identification. The term "person," as used in this questionnaire, means any natural person, company, government or political subdivision, agency or instrumentality of a government.

**After you have completed the following questionnaire, please send the completed questionnaire by e-mail at _____ or overnight courier as soon as possible to the attention of _____.**

**********

**GENERAL INFORMATION**

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

1. Please provide your full legal name and address or the full name and address of the entity on whose behalf you are completing this questionnaire. The address may be a business, mailing or residence address.

Name: _____

Address: _____

If you are answering this questionnaire on behalf of a corporate entity, please state your legal name and position with the selling shareholder.

Name: _____

Position: _____

2. Full legal name of the Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire): _____

3. (a) Are you a broker-dealer registered pursuant to Section 15 of the Exchange Act?

☐ Yes ☐ No

(b) If your response to Item 3(a) above is yes, did you receive Registrable Securities as compensation for investment banking services to the Company?

☐ Yes ☐ No

(c) If your response to Item 3(a) above is no, are you an "affiliate" [1] of a broker-dealer registered pursuant to Section 15 of the Exchange Act?

☐ Yes ☐ No

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

☐ Yes ☐ No

[1] For the purposes of this Item 3(b), an "affiliate" of a registered broker dealer shall include any company that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such broker dealer, and does not include any individuals employed by such broker dealer or its affiliates.

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(e) Please provide the full legal name of the person through which you hold the Registrable Securities—(i.e. name of your broker, if applicable, through which your Registrable Securities are held):

Name of broker: _____

Contact person: _____

Telephone No.: _____

**SECURITIES HOLDINGS**

**Existing Holders:**

Please fill in all blanks in the following questions related to your ***beneficial ownership*** of the Company's common stock.

Generally, a ***beneficial owner*** of a security is a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares either:

(i) voting power, which includes the power to vote, or to direct the voting of such security; and/or

(ii) investment power, which includes the power to dispose, or to direct the disposition of, such security, even though he or she may not be the holder of record of the securities.

Thus, securities held in "street name" over which you exercise voting or investment power would be considered ***beneficially owned*** by you. Other examples of indirect ownership include ownership by a partnership in which you are a partner or by an estate or trust of which you or any member of your ***immediate family*** is a beneficiary. Ownership of securities held in the names of your spouse, minor children or other relatives who live in the same household may be attributed to you.

If you have any reason to believe that any interest in securities of the Company which you may have, however remote, is a beneficial interest, please describe such interest. For purposes of responding to this questionnaire, it is preferable to err on the side of inclusion rather than exclusion.

Where the SEC's interpretation of ***beneficial ownership*** would require disclosure of your interest or possible interest in certain securities of the Company, and you believe that you do not actually possess the attributes of ***beneficial ownership***, an appropriate response is to disclose the interest and at the same time disclaim ***beneficial ownership*** of the securities.

Please indicate the amount of common stock of the Company or any of its subsidiaries which you ***beneficially owned*** as of the date hereof.

| **Number of Shares** | **Registered in the Name of** | **Beneficially Owned by** | **Shares to be Sold** | **Remarks** |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |

For each holding:

- State the nature of the holding (*i.e.*, held in your own name, jointly, as a trustee or beneficiary of a trust, as a custodian, as an executor, in discretionary accounts, by your spouse or minor children, by a partnership of which you are a partner, etc.), and

- State whether you are the ***beneficial owner*** by reason of (i) sole voting power, (ii) shared voting power, (iii) sole investment power, (iv) shared investment power, (v) the right to acquire stock within 60 days of the end of the calendar year, (vi) the right to acquire stock with the purpose of changing or influencing control; and/or (vii) a security-based swap that you hold that gives you voting or investment power over the underlying Company stock (even though you may not directly hold the underlying Company stock).

- Indicate in the Remarks column below whether you have sole or shared voting or investment power with respect to any such securities, and in what capacity (*i.e.,* individual, general partner, trustee) you have such power or powers.

- If you wish to disclaim ***beneficial ownership*** of any shares listed, so indicate by writing the word "Disclaim" in the Remarks column below; you understand that such shares will be shown separately from your beneficial holdings and an appropriate disclaimer set forth.

- If any of the shares listed are subject to any claim, encumbrance, pledge or lien, so indicate in the Remarks column.

**Existing Holders and New Investors:**

**1. Your Interest in the Registrable Securities**

(a) State the number of such Registrable Securities beneficially owned by you.

Common stock: _____

Warrants: _____

(b) Other than as set forth in your response to Item 1(a) above, do you beneficially own any other securities of the Company?

☐ Yes ☐ No

(c) If your answer to Item 1(b) above is yes, state the type, the aggregate amount and CUSIP No. (if applicable) of such other securities of the Company beneficially owned by you:

Type: _____

Aggregate amount: _____

CUSIP No.: _____

(d) Did you acquire the securities listed in Item 1(a) above in the ordinary course of business?

☐ Yes ☐ No

(e) At the time of your purchase of the securities listed in Item 1(a) above, did you have any agreements or understandings, directly or indirectly, with any person to distribute the securities?

☐ Yes ☐ No

(f) If your response to Item 1(e) above is yes, please describe such agreements or understandings:

_____

_____

_____

**2. Nature of Your Beneficial Ownership**

(a) Does someone other than you have ***control*** over the securities listed in Item 1(a) above?

☐ Yes ☐ No

(b) If your response to Item 2(a) above is yes, name your controlling shareholder(s) or other person who has the ability to exercise control over you (the "Controlling Entity"). If the Controlling Entity is not a natural person and is not a publicly held entity, name each shareholder of such Controlling Entity. If any of these named shareholders are not natural persons or publicly held entities, please provide the same information. This process should be repeated until you reach natural persons or a publicly held entity.

(A)(i) Full legal name of Controlling Entity(ies) or natural person(s) with who have sole or shared voting or dispositive power over the Registrable Securities:

Business address (including street address) (or residence if no business address), telephone number and facsimile number of such person(s):

Address: _____

_____

Telephone: _____

Fax: _____

Name of shareholder:

_____

_____

(B)(i) Full legal name of Controlling Entity(ies):

_____

_____

Business address (including street address) (or residence if no business address), telephone number and facsimile number of such person(s):

Address: _____

_____

Telephone: _____

Fax: _____

Name of shareholders:

_____

If you need more space for this response, please attach additional sheets of paper. Please be sure to indicate your name and the number of the item being responded to on each such additional sheet of paper, and to sign each such additional sheet of paper before attaching it to this Questionnaire.

Please note that you may be asked to answer additional questions depending on your responses to the following questions.

**3. 5% Stockholders**

Do you or any of your ***associates*** (including corporations, partnerships, trusts, associations and other such groups) ***beneficially own*** more than 5% of any class of the Company's stock?

☐ Yes ☐ No

**If the answer is yes**, please describe such persons and their holdings below:

| Name of Beneficial Owner | Class of Shares Beneficially Owned | Holder of Voting or Investment Power |
|---|---|---|
| | | |
| | | |

**4. No Adverse Interest**

Do or will you or any of your ***associates*** have any interests that are adverse to the Company interests in any pending or contemplated legal proceeding or government investigation to which the Company is or will be a party (or to which its property may be subject)?

☐ Yes ☐ No

**If yes**, please describe such interests below:

**5. Voting Arrangement**

Do you have knowledge of any voting trusts or similar agreements or ***arrangements*** pursuant to which more than 5% of the Company's outstanding common stock, on an as converted basis, is subject are described below:

☐ Yes ☐ No

**If yes,** please describe such agreements or arrangements below:

| Names and Addresses of Voting Trustees | Voting Rights and Other Powers Under Trust, Agreement or Arrangement |
|---|---|

**6. Change in Control**

Are you aware of any ***arrangements***, including any pledge by any person of securities of the Company, the operations of which may at a subsequent date result in a change in ***control*** of the Company?

☐ Yes ☐ No

**If yes,** please describe such arrangements below:

**7. Transactions with the Company**

Have your or any of your associates had any ***material*** interests in any actual or proposed transaction during the last three fiscal years to which the Company was or is to be a party (and that are identified under "Securities Holdings" above)?

☐ Yes ☐ No

**If yes,** please describe such interests below: [2]

**8. Affiliation with Accountants or Attorneys**

Do you have any interest, affiliation or connection with any law firm or accounting firm that has been retained by the Company during the last three fiscal years or is proposed to be retained by the Company?

☐ Yes ☐ No

**If yes,** please describe such interest, affiliation or connection below:

[2] No such transaction need be described if:
(a) the amount involved (including all periodic installments in the case of any lease or other agreement provided for periodic payments or installments and including the value of all transactions In a series of similar transactions) does not exceed $60,000;
(b) the rates or charges involved in the transaction are fixed by law or governmental authority or determined by competitive bids;
(c) the services involved are as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture or other similar service;
(d) your interest arises solely from my ownership of securities of the Company and you received no extra or special benefit not shared on a pro rata basis by all other holders of securities in the same class;
(e) your interest in the corporation that is a party to the transaction is solely as a director; or
(f) your interest arose solely as an officer and/or director of the Company (e.g., your compensation arrangement with the Company).

**9. Contracts with the Company**

Are you or any of your ***associates*** a party to any contracts with the Company or in which the Company has a beneficial interest, or to which the Company has succeeded by assumption or assignment, which are to be performed in whole or in part at or after the date of the proposed filing of the Registration Statement, or which were made not more than two years prior thereto?

☐ Yes ☐ No

If yes, please describe such contract(s) below:

**FINRA-RELATED QUESTIONS**

1. Are you (i) a "member" of the Financial Industries Regulatory Authority, Inc. ("FINRA"), (ii) an "affiliate" of a member of FINRA, (iii) a "person associated with a member" or "associated person of a member" of FINRA or (iv) associated with an "underwriter or related person" with respect to the proposed public offering of the Company's securities?

Yes _____ No _____

For the sole purpose of this Question: (i) FINRA generally defines a "member" to include any broker or dealer admitted to membership in FINRA or any officer or partner of such a member or the executive representative of such member or the substitute for such representative; (ii) the term "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is in common control with the person specified. Persons who have acted or are acting on behalf or for the benefit of a person include, but are not necessarily limited to, directors, officers, employees, agents, consultants and sales representatives; (iii) FINRA generally defines a "person associated with a member" or "associated person of a member" to include every sole proprietor, partner, officer, director or branch manager of any member, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member (for example, any employee), whether or not any such person is registered or exempt from registration with FINRA; and (iv) the term "underwriter or related person" includes, with respect to a proposed offering, underwriters, underwriters' counsel, financial consultants and advisers, finders, members of the selling or distribution group, and any and all other persons associated with or related to any such persons.

If yes, kindly describe such relationship (whether direct or indirect) and please respond to Questions (2) and (3) below; if no, please proceed to Question (4).

2. Please set forth information as to all purchases and acquisitions (including contracts for purchase or acquisition) of securities of the Company by you, regardless of the time acquired or the source from which derived:

| Seller or Prospective Seller | Amount and Nature of Securities | Price or Other Consideration | Date |
|---|---|---|---|

3. In connection with your direct or indirect affiliation or association with a "member" of FINRA as set forth above in Question (1), please furnish the identity of such FINRA member and any information, if known, as to whether such FINRA member intends to participate in any capacity in this proposed initial public offering, including the details of such participation:

4. Please describe any underwriting compensation and arrangement or any dealings known to you between any "underwriter or related person", "member" of FINRA, "affiliate" of a member of FINRA, "person associated with a member", or "associated person of a member" of FINRA on the one hand and the Company or controlling shareholder thereof on the other hand, other than information relating to the proposed initial public offering of the Company:

5. Please set out below any information, if known, as to whether any "member" of FINRA, any "underwriter or related person", "affiliate" or a member of FINRA, "person associated with a member" or "associated person of a member" of FINRA may receive any portion of the net offering:

For subscribers answering "Yes" to Item 1 above:

The undersigned FINRA member form acknowledges receipt of the notice required by Article 3, Sections 28(a) and (b) of the Rules of Fair Practice.

_____
Name of FINRA Member Firm

By: _____ Date: _____
Authorized Officer

*The undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above pursuant to the Registration Statement only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters, broker-dealers or agents. If the Registrable Securities are sold through underwriters, broker-dealers or agents, the selling holder will be responsible for underwriting discounts or commissions or agents' commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. Such sales may be effected in transactions (which may involve block transactions) (i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, or (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market.*

I understand that material misstatements or the omission of material facts in the Registration Statement may give rise to civil and criminal liabilities to the Company, to each officer and director of the Company signing the Registration Statement and other persons signing the Registration Statement. I will notify you and the Company of any misstatement of a material fact in the Registration Statement or any amendment thereto, and of the omission of any material fact necessary to make the statements contained therein not misleading, as soon as practicable after a copy of the Registration Statement or any such amendment has been provided to me.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.

I confirm that the foregoing statements are correct, to the best of my knowledge and belief.

Dated: _____

Very truly yours,

_____
(Signature)

_____
(Typed or Printed Name)

**DEFINITIONS**

The term "***arrangement***" means any plan, contract, authorization or understanding whether or not set forth in a formal document.

The term "***associate***" as used throughout this questionnaire, means (a) any corporation or organization (other than the Company) of which I am an officer, director or partner or of which I am, directly or indirectly, the beneficial owner of 5% or more of any class of equity securities, (b) any trust or other estate in which I have a substantial beneficial interest or as to which I serve as trustee or in a similar capacity, (c) my spouse, (d) any relative of my spouse or any relative of mine who has the same home as me or who is a director or officer or key executive of the Company, (e) any partner, syndicate member or person with whom I have agreed to act in concert with respect to the acquisition, holding, voting or disposition of shares of the Company's securities.

The term "***beneficially owned***" when used in connection with the ownership of securities, means
(a) any interest in a security which entitles me to any of the rights or benefits of ownership even though I may not be the owner of record or (b) securities owned by me directly or indirectly, including those held by me for my own benefit (regardless of how registered) and securities held by others for my benefit (regardless of how registered), such as by custodians, brokers, nominees, pledgees, etc., and including securities held by an estate or trust in which I have an interest as legatee or beneficiary, securities owned by a partnership of which I am a partner, securities held by a personal holding company of which I am a stockholder, etc., and securities held in the name of my spouse, minor children and any relative (sharing the same home). A "beneficial owner" of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares:

(a) voting power which includes the power to vote, or to direct the voting of, such security; and/or

(b) investment power which includes the power to dispose, or to direct the disposition, of such security.

The term "***control***" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

The term "***immediate family***" means any relationship by blood, marriage or adoption, not more remote than first cousin.

The term "***material***," when used in this questionnaire to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before purchasing the Common Stock of the Company.

**Exhibit 4.5**

**INVESTOR RIGHTS AGREEMENT**
**OF**
**HYDROFARM HOLDINGS GROUP, INC.**

This INVESTOR RIGHTS AGREEMENT (as the same may be amended from time to time in accordance with its terms, the "Agreement") is entered into as of August 28, 2018 (the "Effective Date"), by and among Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), and each of the stockholders of the Company whose name appears on the signature pages hereto (each, an "Investor" and collectively, the "Investors").

RECITALS

WHEREAS, the Investors are party to that certain Stockholders' Agreement, dated as of May 10, 2017 (the "HIC Stockholders' Agreement"), relating to the Investors' interests in Hydrofarm Investment Corp., a Delaware corporation ("HIC");

WHEREAS, in connection with the transactions contemplated by that certain Confidential Private Placement Memorandum of the Company, dated on or about August 3, 2018 (the "PPM") and the related Merger (as defined in the PPM), HIC will become a wholly-owned subsidiary of the Company, and the HIC Stockholders' Agreement will be terminated; and

WHEREAS, the parties hereto desire to enter into this Agreement to govern certain of their rights, duties and obligations with respect to their ownership of Common Stock of the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

**ARTICLE I**
**DEFINITIONS**

Section 1.1 Definitions. Capitalized terms used herein shall have the following meanings:

"Affiliate" shall mean, (i) with respect to any Person (other than an Investor), an "affiliate" as defined in Rule 405 of the regulations promulgated under the Securities Act, and (ii) with respect to an Investor, an "affiliate" as defined in Rule 405 of the regulations promulgated under the Securities Act and any investment fund, vehicle or holding company of which such Investor or an Affiliate of such Investor serves as the general partner, managing member or discretionary manager or advisor; provided, however, that notwithstanding the foregoing, (x) except as used in Section 3.2, an Affiliate of an Investor shall not include any Portfolio Company or other investment of any Person or such Investor or any investment fund, vehicle or holding company or any investment fund, vehicle or holding company or any limited partners of such Investor and (y) an Investor or any of its Affiliates shall not be considered an Affiliate of the other Investor.

"Agreement" shall have the meaning set forth in the Preamble.

"beneficial owner" or "beneficially own" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; provided, however, that no Investor shall be deemed to beneficially own any securities of the Company held by any other Investor solely by virtue of the provisions of this Agreement (other than this definition which shall be deemed to be read for this purpose without the proviso hereto).

"Board" shall mean the board of directors of the Company.

"Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the City of New York, New York.

"Bylaws" shall mean the bylaws of the Company, as in effect on the date hereof and as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the terms of the Charter and the terms of this Agreement.

"Charter" shall mean the certificate of incorporation of the Company, as in effect on the date hereof and as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and the terms of this Agreement.

"Common Stock" shall mean the common stock, par value $0.0001 per share, of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization.

"Company" shall have the meaning set forth in the Preamble.

"Concurrent Investment" shall mean the offering by HIC of a minimum of $15 million and up to $20 million of HIC common stock from existing stockholders of HIC as described in the PPM.

"control" (including the terms "controlling", "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise.

"Director" shall mean any member of the Board.

"Effective Date" shall have the meaning set forth in the Preamble.

"Equity Securities" shall mean any and all shares of (i) Common Stock, (ii) preferred stock of the Company, and (iii) any equity securities (including, without limitation, preferred stock) of the Company convertible into, or exchangeable or exercisable for, any of the foregoing shares, and options, warrants or other rights to acquire any of the foregoing shares or other securities. In the event any direct or indirect Subsidiary of the Company issues directly to any Investor any common stock of such Subsidiary or any equity securities of the type described in clauses (ii) and (iii), the term "Equity Securities" shall also include the common stock and equity securities of the type described in clauses (ii) and (iii) of such Subsidiary.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated pursuant thereto.

"FINRA" means the Financial Industry Regulatory Authority.

"Free-Writing Prospectus" means a free-writing prospectus, as defined in Rule 405.

"Governmental Authority" shall mean any: (i) nation, state, commonwealth, province, territory county, municipality, district or other jurisdiction of any nature; (ii) U.S. and other federal, state, local, municipal, foreign or other government; or (iii) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or entity and any court or other tribunal).

"HIC" has the meaning set forth in the Recitals.

"HIC Stockholders' Agreement" has the meaning set forth in the Recitals.

"Hawthorn Designees" shall mean any Director designated by the Hawthorn Investor pursuant to Section 2.1(b) of this Agreement.

"Hawthorn Investor" shall mean Hawthorn LP, Hydrofarm Co-Investment Fund, LP and their Permitted Transferees.

"Initial Public Offering" means an initial public offering of the Company's equity securities under the Securities Act.

"Investors" shall have the meaning set forth in the Preamble.

"Investor Indemnitees" has the meaning set forth in Section 3.2.

"Law" shall mean any applicable constitutional provision, statute, act, code, law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter of a Governmental Authority.

"Losses" has the meaning set forth in Section 3.2.

"PBCO Investor" shall mean Peter Wardenburg and his Permitted Transferees.

"PBCO Designee" shall mean any Director designated by the PBCO Investor pursuant to Section 2.1(c) of this Agreement.

"Permitted Transferee" shall mean, with respect to any Investor, any Transferee that is an Affiliate of such Investor; provided, however , that such Transferee shall agree in a writing in the form attached as Exhibit A hereto to be bound by and to comply with all applicable provisions of this Agreement.

"Person" shall mean any individual, corporation, partnership, trust, joint stock company, business trust, unincorporated association, joint venture or other entity of any nature whatsoever.

"Piggyback Registration" has the meaning set forth in Section 2.5.

"Placement Agents" means A.G.P./Alliance Global Partners and Aegis Capital Corp.

"Placement Agent Designee" means the Director and the non-voting observer designated by the Placement Agents pursuant to Section 2.1(d) of this Agreement.

"Portfolio Company" shall mean, with respect to any Person, a "portfolio company" (as such term is customarily used among institutional investors), or any entity controlled by any "portfolio company", of such Person or one of its Affiliates.

"PPM" has the meaning set forth in the Recitals.

"Registrable Securities" means, collectively, the Common Stock held by the Investors, but not including the securities acquired by the Investors in connection with the Concurrent Investment and subsequently converted to securities of the Company pursuant to the Merger.

"Registration Expenses" has the meaning set forth in Section 2.8.

"Registration Rights Agreement" means that certain Registration Rights Agreement, dated as of August 28, 2018, by and among the Company and the investors party thereto, as contemplated by the PPM.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated pursuant thereto.

"Serruya Designees" shall mean the Directors designated by the Serruya Investors pursuant to Section 2.1(a) of this Agreement.

"Serruya Investor" shall mean Serruya Private Equity and its Permitted Transferees.

"Shelf Registration" means a short-form registration filed pursuant to Rule 415.

"Stock Exchange " shall mean the Nasdaq Stock Market, the New York Stock Exchange or such other securities exchange or interdealer quotation system on which shares of Common Stock are then listed or quoted.

" Subsidiary" shall mean, with respect to an entity, (i) any corporation of which a majority of the securities entitled to vote generally in the election of directors thereof, at the time as of which any determination is being made, are owned by such entity, either directly or indirectly, and (ii) any joint venture, general or limited partnership, limited liability company or other legal entity in which the entity is the record or beneficial owner, directly or indirectly, of a majority of the voting interests or the general partner.

" Transfer " shall mean, directly or indirectly, to sell, transfer, assign, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, encumbrance, hypothecation or similar disposition of, any shares of Equity Securities beneficially owned by a Person or any interest in any shares of Equity Securities beneficially owned by a Person. In the event that any Investor that is a corporation, partnership, limited liability company or other legal entity (other than an individual, trust or estate) ceases to be controlled by the Person controlling such Investor or a Permitted Transferee thereof, such event shall be deemed to constitute a "Transfer" subject to the restrictions on Transfer contained or referenced herein.

"Transferee" shall mean any Person to whom any Investor or any Transferee thereof Transfers Equity Securities of the Company in accordance with the terms hereof.

"Voting Securities" shall mean, at any time of determination, shares of any class of Equity Securities of the Company that are then entitled to vote generally in the election of Directors.

Section 1.2 Construction. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter forms and the singular form of words shall include the plural and vice versa. All references to Articles and Sections refer to articles and sections of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted. Any percentage set forth herein shall be deemed to be automatically adjusted without any action on the part of any party hereto to take into account any stock split, stock dividend or similar transaction occurring after the date of this Agreement so that the rights provided to the Investors shall continue to apply to the same extent such rights would have applied absent such stock split, stock dividend or similar transaction.

## ARTICLE II

## CORPORATE GOVERNANCE AND REGISTRATION RIGHTS

Section 2.1 Board of Directors.

(a) Following the Effective Date, the Serruya Investor shall have the right, but not the obligation, to nominate to the Board, four (4) Directors, as well as one (1) nonvoting Board observer who may attend all meetings of the Board in a nonvoting observer capacity, in each case so long as the Serruya Investor and its Affiliates collectively beneficially own 15% or more of the outstanding shares of Common Stock.

(b) Following the Effective Date, the Hawthorn Investor shall have the right, but not the obligation, to nominate to the Board, two (2) Directors, as well as two (2) nonvoting Board observers who may attend all meetings of the Board in a nonvoting observer capacity, in each case so long as the Hawthorn Investor and its Affiliates collectively beneficially own 5% or more of the outstanding shares of Common Stock.

(c) Following the Effective Date, the PBCO Investor shall have the right, but not the obligation, to nominate to the Board, one (1) Director, so long as the PBCO Investor and its Affiliates collectively beneficially own 5% or more of the outstanding shares of Common Stock.

(d) For a period of three (3) years following the Effective Date, the Placement Agents shall have the right, but not the obligation, to nominate to the Board, one (1) Director as well as one (1) nonvoting Board observer who may attend all meetings of the Board in a nonvoting observer capacity.

(e) Effective as of the Effective Date, (i) the Serruya Designees shall initially be Michael Serruya, Simon Serruya, Aaron Serruya and Michael Rapp, (ii) the Hawthorn Designees shall initially be Chris Payne, and John Tomes, (iii) the PBCO Designee shall initially be Peter Wardenburg, and (iv) the Placement Agent Designee shall initially be a director designated by the Placement Agents in the future.

(f) The Company agrees, to the fullest extent permitted by applicable Law (including with respect to fiduciary duties under Delaware law), to include the individuals designated pursuant to this Section 2.1 in the slate of nominees recommended by the Board for election at any meeting of stockholders called for the purpose of electing Directors and to use its best efforts to cause the election of each such designee to the Board, including nominating each such individual to be elected as a Director as provided herein, recommending such individual's election and soliciting proxies or consents in favor thereof.

(g) In the event that the Serruya Investor, the Hawthorn Investor, the PBCO Investor, or the Placement Agents, as applicable, has nominated less than the total number of designees that the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agent Designee, as applicable, shall be entitled to nominate pursuant to Section 2.1(a), Section 2.1(b), Section 2.1(c) or Section 2.1(d), as applicable, then the Serruya Investor, the Hawthorn Investor, the PBCO Investor and the Placement Agents, as applicable, shall have the right, at any time, to nominate such additional designee(s) to which it is entitled, in which case, the Company and the Directors shall take all necessary corporate action, to the fullest extent permitted by applicable Law (including with respect to fiduciary duties under Delaware law), to (x) enable the Serruya Investor, the Hawthorn Investor, the PBCO Investor, and the Placement Agents, as applicable, to nominate and effect the election or appointment of such additional individuals, whether by increasing the size of the Board or otherwise, and (y) designate such additional individuals nominated by the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, to fill such newly created vacancies or to fill any other existing vacancies.

(h) In the event that a vacancy is created at any time by the death, disability, retirement, resignation or removal (with or without cause) of any Director designated by the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, pursuant to this Section 2.1, the remaining Directors and the Company shall, to the fullest extent permitted by applicable Law (including with respect to fiduciary duties under Delaware law), cause the vacancy created thereby to be filled by a new designee of the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, who designated such Director as soon as possible, and the Company hereby agrees to take, to the fullest extent permitted by applicable Law (including with respect to fiduciary duties under Delaware law), at any time and from time to time, all actions necessary to accomplish the same.

(i) In the event that the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, shall cease to have the right to designate a Director pursuant to this Section 2.1, the designee of such Investor selected by such Investor shall resign immediately or such Investor shall take all action necessary to remove such designee and the Directors remaining in office shall be entitled to decrease the size of the Board to eliminate such vacancy.

(j) The Serruya Investor, the Hawthorn Investor, the PBCO Investor and the Placement Agents shall have the right to representation on the board of directors or other similar governing body (or any committee thereof) of any Subsidiary of the Company in proportion to their representation on the Board.

(k) The Company shall reimburse the Serruya Designees, the Hawthorn Designees, the PBCO Designee and the Placement Agent Designee, as applicable, for their reasonable out -of-pocket expenses incurred by them in connection with performing his or her duties as a member of the Board (or any committee thereof) or a nonvoting observer, including the reasonable out-of-pocket expenses incurred by such person for attending meetings of the Board (or any committee thereof), or in connection with their service on the board or other similar governing body of any Subsidiary of the Company (or any committee thereof).

(l) Each of the Investors agrees to vote, or act by written consent with respect to, all Voting Securities beneficially owned by it, at each annual or special meeting of stockholders of the Company at which Directors are to be elected, or to take all actions by written consent in lieu of any such meeting as are necessary, to cause the Serruya Designees, the Hawthorn Designees, the PBCO Designee and the Placement Agent Designee to be elected to the Board. Each of the Investors agrees to use its commercially reasonable efforts to cause the election of each such designee to the Board, including nominating such individuals to be elected as members of the Board. In the event that a vacancy is created at any time by the death, disability, retirement, resignation or removal (with or without cause) of any Director designated pursuant to Section 2.1(a), Section 2.1(b), Section 2.1(c) or Section 2.1(d), as applicable, and the remaining Directors pursuant to Section 2.1(g) have caused the vacancy created thereby to be filled by a new designee of the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, then in such case each Investor hereby agrees to take, at any time and from time to time, all actions necessary to accomplish the same. Upon the written request of the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents, as applicable, each other Investor shall vote, or act by written consent with respect to, all Voting Securities beneficially owned by it and otherwise take or cause to be taken all actions necessary to remove any Director designated by such Investors and to elect any replacement Director designated as provided in this Section 2.1. Unless the Serruya Investor, the Hawthorn Investor, the PBCO Investor or the Placement Agents shall otherwise request in writing, no other Investor shall take any action to cause the removal of any Directors designated by such Investor or the Placement Agents.

(m) The rights of the Investors pursuant to this Section 2.1 are personal to the Investors and shall not be exercised by any Transferee other than a Permitted Transferee.

Section 2.2 Committees.

(a) For so long as the Serruya Investor has the right to designate at least one (1) Director pursuant to Section 2.1, the Serruya Investor shall have the right, but not the obligation, to designate one member of each committee of the Board; provided that the right of any Director to serve on a committee shall be subject to applicable Law and the Company's obligation to comply with any applicable independence requirements of the Stock Exchange.

(b) For so long as the Hawthorn Investor has the right to designate at least one (1) Director pursuant to Section 2.1, the Hawthorn Investor shall have the right, but not the obligation, to designate one member of each committee of the Board; provided that the right of any Director to serve on a committee shall be subject to applicable Law and the Company's obligation to comply with any applicable independence requirements of the Stock Exchange.

(c) For so long as the PBCO Investor has the right to designate one (1) Director pursuant to Section 2.1, the PBCO Investor shall have the right, but not the obligation, to designate one member of each committee of the Board; provided that the right of any Director to serve on a committee shall be subject to applicable Law and the Company's obligation to comply with any applicable independence requirements of the Stock Exchange.

Section 2.3 Consent Rights.

(a) The following actions by the Company or any of its Subsidiaries shall require the approval, in addition to any approval by the stockholders of the Company or the Board's approval (or the approval of the required governing body of any Subsidiary of the Company), of the Serruya Investor, the Hawthorn Investor and the PBCO Investor:

(i) any transaction with or involving any Affiliate of the Company or any Affiliate of an Investor, other than (A) a Transfer to a Permitted Transferee, (B) transactions pursuant to any agreement in effect on the Effective Date, including, without limitation, the Registration Rights Agreement and any amendment, termination or material waiver under such agreements, (C) customary indemnification agreements with Directors and executive officers of the Company, and (D) any transaction or series of related transactions in the ordinary course of business and on arms-length third-party terms; and

(ii) subject to Section 3.3, any amendment to this Agreement.

Section 2.4 Permitted Disclosure. Each Serruya Designee is permitted to disclose to the Serruya Investor information about the Company and its Affiliates that he or she receives as a result of being a Director, subject to his or her fiduciary duties under Delaware law. Each Hawthorn Designee is permitted to disclose to the Hawthorn Investor information about the Company and its Affiliates that he or she receives as a result of being a Director, subject to his or her fiduciary duties under Delaware law. The PBCO Designee is permitted to disclose to the PBCO Investor information about the Company and its Affiliates that he or she receives as a result of being a Director, subject to his or her fiduciary duties under Delaware law.

Section 2.5 Piggyback Registrations.

(a) Right to Piggyback. Whenever the Company proposes to register any of its securities under the Securities Act and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), the Company shall give prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and, subject to Section 2.5(c) and Section 2.5(d), shall include in such registration (and in all related registrations or qualifications under blue sky laws and in compliance with other registration requirements and in any related underwriting) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 days after the receipt of the Company's notice. Notwithstanding the above, rights for Piggyback Registration under this Section 2.5 shall not apply to the initial registration statement contemplated by the Registration Rights Agreement.

(b) Piggyback Expenses . The Registration Expenses of the holders of Registrable Securities shall be paid by the Company in all Piggyback Registrations, whether or not any such registration has become effective.

(c) Priority on Primary Piggyback Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and if the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number of securities which can be sold in an orderly manner in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, then the Company shall include in such registration only that number of securities which in the opinion of the underwriters can be sold in an orderly manner in such offering without adversely affecting the marketability of the offering at such price and with such timing or method of distribution, with priority for inclusion to be determined as follows: (i) first, the securities the Company proposes to sell, (ii) second, any Registrable Securities requested to be included in such registration, which in the opinion of the underwriters can be sold in an orderly manner without such adverse effect, pro rata among the respective holders thereof on the basis of the number of Registrable Securities owned by each such holder, and (iii) third, any other securities requested to be included in such registration, which in the opinion of the underwriters can be sold in an orderly manner without such adverse effect, pro rata among the respective holders thereof on the basis of the number of such securities owned by each such holder.

(d) Priority on Secondary Piggyback Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities other than holders of Registrable Securities, and if the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number of securities which can be sold in an orderly manner in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, then the Company shall include in such registration only that number of securities which in the opinion of the underwriters can be sold in an orderly manner in such offering without adversely affecting the marketability of the offering at such price and with such timing or method of distribution, with priority for inclusion to be determined as follows: (i) first, the securities requested to be included in such registration by the holders requesting such registration and the Registrable Securities requested to be included in such registration, which in the opinion of the underwriters can be sold in an orderly manner without such adverse effect, pro rata among the holders of such securities on the basis of the number of such securities owned by each such holder, and (ii) second, any other securities requested to be included in such registration, which in the opinion of the underwriters can be sold in an orderly manner without such adverse effect, pro rata among the respective holders thereof on the basis of the number of securities owned by each such holder.

(e) Selection of Underwriters. If any Piggyback Registration is an underwritten offering, then the Company will select investment banker(s) and manager(s) for the offering, in consultation with the Serruya Investors, the Hawthorn Investors and the PBCO Investor.

Section 2.6 Registration Procedures. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company shall use its reasonable best efforts to effect the registration and the sale of such Registrable Securities hereunder in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as reasonably possible:

(a) in accordance with the Securities Act and all applicable rules and regulations promulgated thereunder, prepare and file with the Securities and Exchange Commission a registration statement, and all amendments and supplements thereto and related prospectuses as may be necessary to comply with applicable securities laws, with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective;

(b) notify each holder of Registrable Securities of (i) the issuance by the Securities and Exchange Commission of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose, (ii) the receipt by the Company or its counsel of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and (iii) the effectiveness of each registration statement filed hereunder;

(c) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period ending when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition by the sellers thereof as set forth in such registration statement or, in the case of a Shelf Registration, if earlier, the date as of which all of the Registrable Securities included in such registration are able to be sold within a 90-day period in compliance with Rule 144 (but in any event not before the expiration of any longer period required under the Securities Act or, if such registration statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sales of securities thereunder by any underwriter or dealer), and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(d) furnish to each seller of Registrable Securities thereunder such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus), each Free-Writing Prospectus and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(e) use its reasonable best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 2.6(e), (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction);

(f) promptly notify in writing each seller of such Registrable Securities (i) after it receives notice thereof, of the date and time when such registration statement and each post-effective amendment thereto has become effective or a prospectus or supplement to any prospectus relating to a registration statement has been filed and when any registration or qualification has become effective under a state securities or blue sky law or any exemption thereunder has been obtained, (ii) after receipt thereof, of any request by the Securities and Exchange Commission for the amendment or supplementing of such registration statement or prospectus or for additional information, and (iii) at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company promptly shall prepare, file with the Securities and Exchange Commission and furnish to each such seller a reasonable number of copies of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(g) prepare and file promptly with the Securities and Exchange Commission, and notify such holders of Registrable Securities prior to the filing of, such amendments or supplements to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, when any event has occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, in case an of such holders of Registrable Securities or any underwriter for any such holders is required to deliver a prospectus at a time when the prospectus then in circulation is not in compliance with the Securities Act or the rules and regulations promulgated thereunder, the Company shall prepare promptly upon request of any such holder or underwriter such amendments or supplements to such registration statement and prospectus as may be necessary in order for such prospectus to comply with the requirements of the Securities Act and such rules and regulations;

(h) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(i) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(j) enter into and perform such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities included in such registration or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including effecting a stock split, combination of shares, recapitalization or reorganization and preparing for and participating in such number of "road shows," investor presentations and marketing events as the underwriters managing such offering may reasonably request);

(k) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate and business documents and properties of the Company, and cause the Company's officers, managers, directors, employees, agents, representatives and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement; provided that the Company shall not be required pursuant to this Section 2.6(k) to provide confidential information of the Company if the Company reasonably believes upon advice of counsel that withholding such information is reasonably necessary to preserve attorney-client privilege;

(l) take all reasonable actions to ensure that any Free-Writing Prospectus utilized in connection with any Piggyback Registration hereunder complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related prospectus, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(m) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158;

(n) permit any holder of Registrable Securities which holder, in its good faith judgment (based on the advice of counsel), could reasonably be expected to be deemed to be an underwriter or a controlling Person of the Company, to participate in the preparation of such registration or comparable statement and to require the insertion therein of material, furnished to the Company in writing, which in the reasonable judgment of such holder and its counsel should be included;

(o) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or the issuance of any order suspending or preventing the use of any related prospectus or suspending the qualification of any equity securities included in such registration statement for sale in any jurisdiction, the Company shall use its reasonable best efforts promptly to obtain the withdrawal of such order;

(p) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities;

(q) cooperate with the holders of Registrable Securities covered by the registration statement and the managing underwriters or agents, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement and enable such securities to be in such denominations and registered in such names as the managing underwriters, or agents, if any, or such holders may request; and

(r) cooperate with each holder of Registrable Securities covered by the registration statement and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA; and

(s) if requested by the underwriters managing an offering of Registrable Securities in connection with a registration effected pursuant to this Agreement, provide a legal opinion of the Company's outside counsel, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), with respect to the registration statement, each amendment and supplement thereto, the prospectus included therein (including the preliminary prospectus) and such other documents relating thereto in customary form and covering such matters of the type customarily covered by legal opinions of such nature, which opinion shall be addressed to the underwriters of the offering of such Registrable Securities.

Section 2.7 Certain Obligations of Holders of Registrable Securities. Each holder of Registrable Securities that sells such securities pursuant to a registration under this Agreement agrees as follows:

(a) Such holder (if such holder is an employee or independent contractor of the Company or any of its affiliates) shall cooperate with the Company (as reasonably requested by the Company) in connection with the preparation of the registration statement, and for so long as the Company is obligated to file and keep effective such registration statement, each holder of Registrable Securities that is participating in such registration shall provide to the Company, in writing, for use in the applicable registration statement, all such information regarding such holder and its plan of distribution of such securities as may be reasonably necessary to enable the Company to prepare the registration statement and prospectus covering such securities, to maintain the currency and effectiveness thereof and otherwise to comply with all applicable requirements of law in connection therewith.

(b) During such time as such holder may be engaged in a distribution of such securities, such holder shall distribute such securities under the registration statement solely in the manner described in the registration statement.

(c) Each Person that is participating in any registration under this Agreement, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(f), shall immediately discontinue the disposition of its securities of the Company pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by Section 2.6(f). In the event the Company has given any such notice, the applicable time period set forth in Section 2.6(c) during which a registration statement is to remain effective shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to this Section 2.7(d) to and including the date when each seller of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 2.6(f).

Section 2.8 Registration Expenses.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including all registration, qualification and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, filing expenses, messenger and delivery expenses, fees and disbursements of custodians and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), shall be borne by the Company as provided in this Agreement, and the Company also shall pay all of its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed. Notwithstanding anything to the contrary contained herein, each seller of securities pursuant to a registration under this Agreement shall bear and pay all underwriting discounts and commissions applicable to the securities sold for such seller's account.

(b) In connection with each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of the Registrable Securities proposed for inclusion in such registration.

(c) To the extent any expenses relating to a registration hereunder are not required to be paid by the Company, each holder of securities included (or requested to be included) in any registration hereunder shall pay those expenses allocable to the registration (or proposed registration) of such holder's securities so included (or requested to be included), and any expenses not so allocable shall be borne by all sellers of securities requested to be included in such registration in proportion to the aggregate selling price of the securities to be so registered.

Section 2.9 Participation in Underwritten Registrations. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including pursuant to any over-allotment or "green shoe" option requested by the underwriters; provided that no holder of Registrable Securities shall be required to sell more than the number of Registrable Securities such holder has requested to include) and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements; provided that no holder of Registrable Securities included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters (other than representations and warranties regarding such holder, such holder's title to the securities and such holder's intended method of distribution) or to undertake any indemnification obligations to the Company or the underwriters with respect thereto.

Section 2.10 Other Agreements. At all times after the Company has filed a registration statement with the Securities and Exchange Commission pursuant to the requirements of either the Securities Act or the Exchange Act, the Company shall use its reasonable best efforts to file all reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Securities and Exchange Commission thereunder and shall take such further action as the Investors may reasonably request, all to the extent required to enable such Persons to sell securities pursuant to (a) Rule 144 or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission or (b) a registration statement on Form S-3 or any similar registration form hereafter adopted by the Securities and Exchange Commission. Upon reasonable request, the Company shall deliver to the Investors a written statement as to whether it has complied with such requirements. The Company shall at all times after it has consummated an Initial Public Offering use its reasonable best efforts to cause the securities so registered to be listed on one or more of the New York Stock Exchange, the NYSE American or the Nasdaq Stock Market.

Section 2.11 Subsidiary Public Offering. If, after an Initial Public Offering of the capital stock or other equity securities of one of its subsidiaries, the Company distributes securities of such subsidiary to its equity holders, then the rights of holders hereunder and the obligations of the Company pursuant to this Agreement shall apply, mutatis mutandis, to such subsidiary, and the Company shall cause such subsidiary to comply with such subsidiary's obligations under this Agreement.

**ARTICLE III**
MISCELLANEOUS

Section 3.1 Termination. Subject to the early termination of any provision as a result of an amendment to this Agreement agreed to by the Board and the Investors as provided under Section 3.3, (i) the provisions of Article II shall, with respect to each Investor, terminate as provided in the applicable Section of Article II, and (ii) this Article III shall not terminate. Nothing herein shall relieve any party from any liability for the breach of any of the agreements set forth in this Agreement.

Section 3.2 Indemnification.

(a) The Company agrees to indemnify and hold harmless each Investor, their respective directors, officers, partners, members, managers, Affiliates and controlling persons (each, an "Investor Indemnitee") from and against any and all liability, including, without limitation, all obligations, costs, fines, claims, actions, injuries, demands, suits, judgments, proceedings, investigations, arbitrations (including stockholder claims, actions, injuries, demands, suits, judgments, proceedings, investigations or arbitrations) and reasonable expenses, including reasonable accountant's and reasonable attorney's fees and expenses (together the "Losses"), incurred by such Investor Indemnitee before or after the date of this Agreement to the extent arising out of, resulting from, or relating to (i) such Investor Indemnitee's purchase and/or ownership of any Equity Securities or (ii) any litigation to which any Investor Indemnitee is made a party in its capacity as a stockholder or owner of securities (or as a director, officer, partner, member, manager, Affiliate or controlling person of any Investor) of the Company; provided that the foregoing indemnification rights in this Section 3.2 shall not be available to the extent that (a) any such Losses are incurred as a result of such Investor Indemnitee's willful misconduct or gross negligence; (b) any such Losses are incurred as a result of non-compliance by such Investor Indemnitee with any laws or regulations applicable to any of them; or (c) subject to the rights of contribution provided for below, to the extent indemnification for any Losses would violate any applicable Law or public policy. For purposes of this Section 3.2, none of the circumstances described in the limitations contained in the proviso in the immediately preceding sentence shall be deemed to apply absent a final non-appealable judgment of a court of competent jurisdiction to such effect, in which case to the extent any such limitation is so determined to apply to any Investor Indemnitee as to any previously advanced indemnity payments made by the Company under this Section 3.2, then such payments shall be promptly repaid by such Investor Indemnitee to the Company. The rights of any Investor Indemnitee to indemnification hereunder will be in addition to any other rights any such party may have under any other agreement or instrument to which such Investor Indemnitee is or becomes a party or is or otherwise becomes a beneficiary or under law or regulation. In the event of any payment of indemnification pursuant to this Section 3.2, to the extent that any Investor Indemnitee is indemnified for Losses, the Company will be subrogated to the extent of such payment to all of the related rights of recovery of the Investor Indemnitee to which such payment is made against all other Persons. Such Investor Indemnitee shall execute all papers reasonably required to evidence such rights. The Company will be entitled at its election to participate in the defense of any third party claim upon which indemnification is due pursuant to this Section 3.2 or to assume the defense thereof, with counsel reasonably satisfactory to such Investor Indemnitee unless, in the reasonable judgment of the Investor Indemnitee, a conflict of interest between the Company and such Investor Indemnitee may exist, in which case such Investor Indemnitee shall have the right to assume its own defense and the Company shall be liable for all reasonable expenses therefor. Except as set forth above, should the Company assume such defense all further defense costs of the Investor Indemnitee in respect of such third-party claim shall be for the sole account of such party and not subject to indemnification hereunder. The Company will not without the prior written consent of the Investor Indemnitee (which consent shall not be unreasonably withheld) effect any settlement of any threatened or pending third party claim in which such Investor Indemnitee is or could have been a party and be entitled to indemnification hereunder unless such settlement solely involves the payment of money and includes an unconditional release of such Investor Indemnitee from all liability and claims that are the subject matter of such claim. If the indemnification provided for above is unavailable in respect of any Losses, then the Company, in lieu of indemnifying an Investor Indemnitee, shall, if and to the extent permitted by Law, contribute to the amount paid or payable by such Investor Indemnitee in such proportion as is appropriate to reflect the relative fault of the Company and such Investor Indemnitee in connection with the actions which resulted in such Losses, as well as any other equitable considerations.

(b) The Company agrees to pay or reimburse (i) the Investors for (A) all reasonable costs and expenses (including reasonable attorneys' fees, charges, disbursement and expenses) incurred in connection with any amendment, supplement, modification or waiver of or to any of the terms or provisions of this Agreement or any related agreements and (B) in connection with any stamp, transfer, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any related agreements; and (ii) each Investor for all costs and expenses of such Investor (including reasonable attorneys' fees, charges, disbursement and expenses) incurred in connection with (1) the consent to any departure by the Company or any of its Subsidiaries from the terms of any provision of this Agreement or any related agreements and (2) the enforcement or exercise by such Investor of any right granted to it or provided for hereunder.

Section 3.3 Amendments and Waivers. Except as otherwise provided herein, no modification, amendment, restatement, amendment and restatement, or waiver of any provision of this Agreement shall be effective without the approval of the Board and each of the Serruya Investor, the Hawthorn Investor and the PBCO Investor; provided, however, that any Investor may waive (in writing) the benefit of any provision of this Agreement with respect to itself for any purpose. Notwithstanding the foregoing, any amendment or modification to Sections 2.1(d), 2.1(g), 2.1(h), 2.1(i), 2.1(j), 2.1(k) or 2.1(l), to the extent such amendments or modifications change the rights of the Placement Agents with respect to the Placement Agent Designee and such rights continue to be in effect, require the consent of the Placement Agents in addition to any Investor set forth in this Section 3.3. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. Any written amendment, restatement, amendment and restatement, or waiver to this Agreement that receives the vote or consent of the Investors provided herein need not be signed by all Investors, but shall be effective in accordance with its terms and shall be binding upon all Investors and any Transferees.

Section 3.4 Successors, Assigns and Transferees . This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned without the express prior written consent of the other parties hereto, and any attempted assignment, without such consents, will be null and void; provided, however, that each of the Serruya Investor, the Hawthorn Investor and the PBCO Investor shall be entitled to assign, in whole or in part, any of its rights hereunder to any of its Permitted Transferees without such prior written consent.

Section 3.5 Third Parties. Except as may otherwise be expressly provided in this Agreement, this Agreement does not create any rights, claims or benefits inuring to any person that is not a party hereto nor create or establish any third-party beneficiary hereto.

Section 3.6 Notices. All notices and other communications required or permitted under this Agreement shall be in writing and shall be deemed effectively given: (a) when delivered personally by hand to the party to be notified (with written confirmation of receipt), (b) when sent by facsimile or e-mail (with written confirmation of transmission), (c) when received or rejected by the addressee if sent by registered or certified mail, postage prepaid, return receipt requested, or (d) one Business Day following the day sent by reputable overnight courier (with written confirmation of receipt), in each case at the following addresses and facsimile numbers (or to such other address or facsimile number as a party may have specified by notice given to the other party pursuant to this provision):

(i) if to the Company, to:

Hydrofarm Holdings Group, Inc.
2249 S. McDowell Ext.
Petaluma, CA 94954
Fax: (707) 765-3399
Attention: Peter Wardenburg, Chief Executive Officer
Email: peter@hydrofarm.com

with a copy (which shall not constitute notice) to:

Perkins Coie LLP
1900 Sixteenth Street, Suite 1400
Denver, CO 80202
Facsimile No.: (303) 291-2400
Attention: Sonny Allison
Email: SAllison@perkinscoie.com

(ii) if to the Serruya Investor, to:

JAMS Holdings LLC
210 Shields Court
Markham, ON L3R 8V2
Facsimile No.:
Attn: Gurion De Zwirek
Email: gurion@serruyaequity.com

(iii) if to the Hawthorn Investor, to:

Hawthorn Equity Partners Inc.
120 Adelaide Street West, Suite 800
Toronto, ON M5H 1T1
Attn: John Tomes and Matthew Segal
Facsimile No.: (416) 687-5281
Email: tomes@hawthornep.com and segal@hawthornep.com

with a copy (which shall not constitute notice) to:

Perkins Coie LLP
1900 Sixteenth Street, Suite 1400
Denver, CO 80202
Facsimile No.: (303) 291-2400
Attention: Sonny Allison
Email: SAllison@perkinscoie.com

(iv) if to the PBCO Investor, to:

Wardenburg 2009 Family Trust
2249 South McDowell Ext
Petaluma, California 94954
Attn: Peter Wardenburg, Trustee
Email: peter@hydrofarm.com

(v) if to the Placement Agents, to:

Alliance Global Partners
590 Madison Avenue, 36th floor
New York, New York 10022
Facsimile No.: (212) 481-1206
Attention: David Bocchi
Email: db@allianceg.com

and

Aegis Capital Corp.
810 Seventh Ave, 11th Floor
New York, New York 10019
Facsimile No.: (646) 390-9122
Attention: Adam K. Stern
Email: adam@sternaegis.com

with a copy (which shall not constitute notice) to:

Littman Krooks LLP
655 Third Avenue, 20th Floor
New York, NY 10017
Facsimile No.: (212) 490-2990
Attention: Steven Uslaner
Email: suslaner@littmankrooks.com

Section 3.7 Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

Section 3.8 Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. There are no agreements, representations, warranties, covenants or understandings with respect to the subject matter hereof or thereof other than those expressly set forth herein and therein. This Agreement supersedes all other prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9 Restrictions on Other Agreements; Bylaws.

(a) Following the date hereof, no Investor or any of its Permitted Transferees shall enter into or agree to be bound by any stockholder agreements or arrangements of any kind with any Person with respect to any Equity Securities except pursuant to the agreements specifically contemplated herein and the Registration Rights Agreement.

(b) The provisions of this Agreement shall be controlling if any such provisions or the operation thereof conflict with the provisions of the Company's Bylaws. Each of the parties covenants and agrees to vote their Equity Securities and to take any other action reasonably requested by the Company or any Investor to amend the Company's Bylaws so as to avoid any conflict with the provisions hereof.

Section 3.10 Delays or Omissions . It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

Section 3.11 Governing Law; Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, applicable to contracts executed in and to be performed entirely within that State, without giving effect to principles or rules of conflict of laws.

(b) In any judicial proceeding involving any dispute, controversy or claim arising out of or relating to this Agreement, each of the parties unconditionally accepts the jurisdiction and venue of the Delaware Court of Chancery or, if the Delaware Court of Chancery does not have subject matter jurisdiction over this matter, the Superior Court of the State of Delaware (Complex Commercial Division) or, if jurisdiction over the matter is vested exclusively in federal courts, the United States District Court for the District of Delaware, and the appellate courts to which orders and judgments thereof may be appealed. In any such judicial proceeding, the parties agree that in addition to any method for the service of process permitted or required by such courts, to the fullest extent permitted by Law, service of process may be made by delivery provided pursuant to the directions in Section 3.6.

(c) EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING ANY DISPUTE, CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 3.12 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 3.13 Enforcement. Each party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

Section 3.14 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 3.15 No Recourse. This Agreement may only be enforced against, and any claims or cause of action that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement, may be made only against the entities that are expressly identified as parties hereto, and no past, present or future Affiliate, director, officer, employee, incorporator, member, manager, partner, stockholder, agent, attorney or representative of any party hereto shall have any liability for any obligations or liabilities of the parties to this Agreement or for any claim based on, in respect of, or by reason of the transactions contemplated hereby.

Section 3.16 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed by facsimile signature(s).

Section 3.17 Effectiveness. This Agreement shall become effective upon the Effective Date.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Investor Rights Agreement as of the date set forth in the first paragraph hereof.

**HYDROFARM HOLDINGS GROUP, INC.**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Chief Executive Officer

[Signature Page to Investor Rights Agreement]

**2118769 ONTARIO INC.**

By: /s/ Michael Serruya
Name: Michael Serruya

[Signature Page to Investor Rights Agreement]

**FRUZER INC.**

By: /s/ Aaron Serruya
Name: Aaron Serruya

[Signature Page to Investor Rights Agreement]

**2208744 ONTARIO INC.**

By: /s/ Jack Serruya
Name: Jack Serruya

[Signature Page to Investor Rights Agreement]

**2208742 ONTARIO INC.**

By: /s/ Simon Serruya
Name: Simon Serruya

[Signature Page to Investor Rights Agreement]

**CO- INVEST SPONSORS REPRESENTATIVE:**

**2118769 ONTARIO INC.**

By: /s/ Michael Serruya
Name: Michael Serruya

[Signature Page to Investor Rights Agreement]

**Wardenburg 2009 Family Trust**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Trustee

[Signature Page to Investor Rights Agreement]

**HF I INVESTMENTS LLC**

**By: BCM X3 HOLDINGS LLC, its Manager**

By: /s/ Michael Rapoport
Name: Michael Rapoport
Title: Manager

[Signature Page to Investor Rights Agreement]

**HF II INVESTMENTS LLC**

**By: BCM X3 HOLDINGS LLC, its Manager**

By: /s/ Michael Rapoport
Name: Michael Rapoport
Title: Manager

[Signature Page to Investor Rights Agreement]

**HF III INVESTMENTS LLC**

**By: BCM X3 HOLDINGS LLC, its Manager**

By: /s/ Michael Rapoport
Name: Michael Rapoport
Title: Manager

[Signature Page to Investor Rights Agreement]

**HAWTHORN LIMITED PARTNERSHIP**

**By: HAWTHORN GP, LP, its General Partner**

**By: HAWTHORN GP, INC., its General Partner**

By: /s/ Christopher Payne
Name: Christopher Payne
Title: Director

[Signature Page to Investor Rights Agreement]

**HYDROFARM CO-INVESTMENT FUND, LP**

**By: HAWTHORN CO-INVESTMENT FUND GP, LP, its General Partner**

**By: HYDROFARM CO-INVESTMENT FUND GP, INC., its General Partner**

By: /s/ Christopher Payne
Name: Christopher Payne
Title: President

[Signature Page to Investor Rights Agreement]

**PAYNE CAPITAL CORP.**

By: /s/ Christopher Payne
Name: Christopher Payne
Title: Director

[Signature Page to Investor Rights Agreement]

**ARCH STREET HOLDINGS I, LLC**

By: /s/ Eric Ceresnie
Name: Eric Ceresnie
Title: Managing Partner

[Signature Page to Investor Rights Agreement]

**Solely with respect to Section 2.1:**

**ALLIANCE GLOBAL PARTNERS**

By: /s/ Thomas J. Higgins
Name: Thomas J. Higgins
Title: Managing Director, Investment Banking

**AEGIS CAPITAL CORP.**

By: /s/ Adam Stern
Name: Adam Stern
Title: Chief Executive Officer

**Exhibit A**

**Assignment and Assumption Agreement**

Pursuant to the Investor Rights Agreement, dated as of [_____], 2018 (the "Investor Rights Agreement"), among Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), and each of the stockholders of the Company whose name appears on the signature pages listed therein (each, a "Investor" and collectively, the "Investors"), _____, (the "Transferor") hereby assigns to the undersigned the rights that may be assigned thereunder, and the undersigned hereby agrees that, having acquired Equity Securities as permitted by the terms of the Investor Rights Agreement, the undersigned shall assume the obligations of the Transferor under the Investor Rights Agreement. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Investor Rights Agreement.

Listed below is information regarding the Equity Securities:

| Number of Shares of Common Stock |
| --- |
| |

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the undersigned has executed this Assumption Agreement as of _____ __, ____.

[NAME OF TRANSFEROR]

Name:
Title:

[NAME OF TRANSFEREE]

Name:
Title:

Acknowledged by:

HYDROFARM HOLDINGS GROUP, INC.

By:
Name:
Title:

**Exhibit 4.6**

**HYDROFARM HOLDINGS GROUP, INC.**
**AMENDMENT NO. 1 TO INVESTOR RIGHTS AGREEMENT**

This Amendment No. 1 to the Investor Rights Agreement (the "Amendment Agreement") is entered into as of November 10, 2020 by and among Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), and each of the stockholders of the Company whose name appears on the signature pages hereto (each, an "Investor" and collectively, the "Investors"). Capitalized terms not herein defined shall have the meanings ascribed to them in the IRA (as defined below).

**RECITALS**

**WHEREAS**, the Company and the Investors entered into that certain Investor Rights Agreement, dated August 28, 2018 (the "IRA");

**WHEREAS**, pursuant to Section 3.3 of the IRA, certain terms of the Agreement may be amended with the written consent of the Company and certain other parties; and

**WHEREAS**, the Company and the Holders desire to amend the IRA.

**NOW, THEREFORE**, in consideration of the foregoing recitals and for other consideration, the adequacy and sufficiency of which are hereby acknowledged the parties hereto agree as follows:

1.1 Sections 2.1, 2.2, 2.3, 2.4. Sections 2.1, 2.2, 2.3 and 2.4 of the IRA are hereby deleted in their entirety.

1.2 Section 3.3. Section 3.3 of the IRA is hereby deleted in its entirety and replaced by the following:

Amendments and Waivers. Except as otherwise provided herein, no modification, amendment, restatement, amendment and restatement, or waiver of any provision of this Agreement shall be effective without the approval of the Company and each of the Serruya Investor, the Hawthorn Investor and the PBCO Investor; provided, however, that any Investor may waive (in writing) the benefit of any provision of this Agreement with respect to itself for any purpose. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. Any written amendment, restatement, amendment and restatement, or waiver to this Agreement that receives the vote or consent of the Investors provided herein need not be signed by all Investors, but shall be effective in accordance with its terms and shall be binding upon all Investors and any Transferees.

1.3 Effective Date. This Amendment Agreement shall become effective upon the closing of the Company's initial public offering.

1.4 Entire Agreement. Except as expressly set forth herein, the IRA shall remain in full force and effect and shall not be modified or altered in any other way.

1.5 Governing Law. This Amendment Agreement shall be governed by the internal law of the State of Delaware.

1.6 Titles and Subtitles. The titles and subtitles used in this Amendment Agreement are used for convenience only and are not to be considered in construing or interpreting this Amendment Agreement.

1.7 Counterparts. This Amendment Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties that execute such counterparts, and all of which together shall constitute one instrument.

1.8 Telecopy Execution and Delivery. This Amendment Agreement may be executed and delivered by facsimile or email (including ..pdf) and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank*]

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

**COMPANY:**

HYDROFARM HOLDINGS GROUP, INC.

By: /s/ William Toler
Name: William Toler
Title: CEO

**HOLDERS:**

2118769 ONTARIO INC.

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

FRUZER INC.

By: /s/ Aaron Serruya
Name: Aaron Serruya
Title: President

2208744 ONTARIO INC.

By: /s/ Jacques Serruya
Name: Jacques Serruya
Title: President

2208742 ONTARIO INC.

By: /s/ Simon Serruya
Name: Simon Serruya
Title: President

**CO-INVEST SPONSORS REPRESENTATIVE:**

2118769 ONTARIO INC.

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

**HOLDERS:**

WARDENBURG 2009 FAMILY TRUST

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title:

**HOLDERS:**

HF I INVESTMENTS LLC
By: BCM X3 HOLDINGS LLC, its Manager

By: /s/ ILLEGIBLE
Name:
Title:

HF II INVESTMENTS LLC
By: BCM X3 HOLDINGS LLC, its Manager

By: /s/ ILLEGIBLE
Name:
Title:

HF III INVESTMENTS LLC
By: BCM X3 HOLDINGS LLC, its Manager

By: /s/ ILLEGIBLE
Name:
Title:

**HOLDERS:**

HAWTHORN LIMITED PARTNERSHIP
By: HAWTHORN GP, LP, its General Partner
By: HAWTHORN GP, Inc., its General Partner

By: /s/ Christopher Payne
Name: Christopher Payne
Title: Managing Partner

HAWTHORN CO-INVESTMENT FUND, LP
By: HAWTHORN CO-INVESTMENT FUND GP, LP, its General Partner
By: HAWTHORN CO-INVESTMENT FUND GP, Inc., its General Partner

By: /s/ Christopher Payne
Name: Christopher Payne
Title: Managing Partner

**HOLDERS:**

PAYNE CAPITAL CORP.

By: /s/ Christopher Payne
Name: Christopher Payne
Title: President

**HOLDERS:**

ARCH STREET HOLDINGS I, LLC

By: /s/ Eric Ceresnie
Name: Eric Ceresnie
Title:

**PLACEMENT AGENTS:**

A.G.P./Alliance Global Partners

By: /s/ Thomas J. Higgins
Name: Thomas J. Higgins
Title: Managing Director

Aegis Capital Corp.

By: /s/ Adam Stern
Name: Adam Stern
Title: Head of Private Equity Banking

**Exhibit 10.1**

EXECUTION VERSION

# LOAN AND SECURITY AGREEMENT

Dated as of May 12, 2017

**HYDROFARM HOLDINGS LLC,**
**(to be succeeded as a Borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster LLC)**

as Initial Borrower,

**THE OTHER PERSONS SIGNATORY HERETO AS OBLIGORS,**

**CERTAIN FINANCIAL INSTITUTIONS,**

as Lenders,

**BANK OF AMERICA, N.A.,**

as Agent

**BANK OF AMERICA, N.A.,**

as Sole Lead Arranger and Sole Bookrunner

**TABLE OF CONTENTS**

**LIST OF EXHIBITS AND SCHEDULES**

**LOAN AND SECURITY AGREEMENT**

**THIS LOAN AND SECURITY AGREEMENT** (including all exhibits and schedules hereto, as the same may be amended, supplemented, restated, and/or otherwise modified from time to time, this "Agreement ") is dated as of May 12, 2017, among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Initial Borrower" or "Holdings"; immediately upon consummation of the Closing Date Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower hereunder by Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC, a Delaware limited liability company ("EHH"), SunBlaster LLC, a Delaware limited liability company ("SunBlaster"), and WJCO LLC, a Colorado limited liability company ("WJCO")), the other parties from time to time signatory hereto as Obligors, the financial institutions party to this Agreement from time to time as Lenders, and **BANK OF AMERICA, N.A.**, a national banking association, as agent for the Lenders (in such capacity, "Agent").

**R E C I T A L S:**

Borrowers have requested that Lenders provide a credit facility to Borrowers to (a) finance the Closing Date Acquisition, (b) refinance existing indebtedness and (c) finance their mutual and collective business enterprise. Lenders are willing to provide the credit facility on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, for valuable consideration hereby acknowledged, the parties agree as follows:

**SECTION 1. DEFINITIONS; RULES OF CONSTRUCTION**

**1.1. Definitions.** As used herein, the following terms have the meanings set forth below:

ABL Priority Collateral : as defined in the Intercreditor Agreement (it being understood and agreed that any time the Term Loan Facility is not in effect, the term "ABL Priority Collateral" shall mean all Collateral).

Account: as defined in the UCC, including all rights to payment for goods sold or leased, or for services rendered.

Account Debtor: a Person obligated under an Account, Chattel Paper or General Intangible.

Accounts Formula Amount: 85% of the Value of Eligible Accounts.

Acquisition: a transaction or series of transactions resulting, directly or indirectly, in (a) acquisition of all or a substantial portion of a business, division or substantially all assets of a Person; (b) record or beneficial ownership of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary; or (c) merger, consolidation or combination of a Borrower or a Subsidiary with another Person (other than a Person that is already a Subsidiary, subject to Section 10.2.9).

Affiliate: with respect to a specified Person, (a) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, and (b) solely with respect to Sections 10.2.17, 13.3.3, 14.11 and 14.12, any officer or director of such Person. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings. Unless expressly stated otherwise herein, neither Agent nor any Lender shall be deemed an Affiliate of any Obligor.

Agent: as defined in the preamble to this Agreement.

Agent Indemnitees: Agent and its officers, directors, employees, Affiliates, agents and attorneys.

Agreement: as defined in the preamble hereto.

Agreement Currency: as defined in Section 1.5.

Agent Professionals: attorneys, accountants, appraisers, auditors, business valuation experts, environmental engineers or consultants, turnaround consultants, and other professionals and experts retained by Agent.

Allocable Amount: as defined in **Section 5.11.3**.

Anti -Terrorism Law: any law relating to terrorism or money laundering, including the Patriot Act.

Applicable Law: all laws, rules, regulations and governmental guidelines applicable to the Person, conduct, transaction, agreement or matter in question, including all applicable statutory law, common law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

Applicable Margin: the margin set forth below, as determined by the Average Availability for the last Fiscal Quarter:

| Level | Average Availability | Base Rate Revolver Loans (other than FILO Loans) | LIBOR Revolver Loans (other than FILO Loans) | Base Rate FILO Loans | LIBOR FILO Loans |
|---|---|---|---|---|---|
| I | ≥$25,000,000 | 0.75% | 1.50% | 1.75% | 2.75% |
| II | ≥$10,000,000 < $ 25,000,000 | 1.00% | 1.75% | 2.00% | 3.00% |
| III | <$10,000,000 | 1.25% | 2.00% | 2.25% | 3.25% |

Until September 30, 2017, margins shall be determined as if Level II were applicable. Thereafter, margins shall be subject to increase or decrease by Agent on the first day of the calendar month following each Fiscal Quarter end based upon Average Availability for the Fiscal Quarter then ended. If Agent is unable to calculate Average Availability for a Fiscal Quarter due to Borrowers' failure to deliver any Borrowing Base Report when required hereunder, then, at the option of Agent or Required Lenders, margins shall be determined as if Level III were applicable until the first day of the calendar month following its receipt.

Approved Fund: any Person (other than a natural Person) engaged in making, purchasing, holding or otherwise investing in commercial loans in its ordinary course of activities and that is advised, administered, or managed by a Lender, an Affiliate of a Lender (or an entity or an Affiliate of an entity that administers, advises or manages a Lender).

Asset Disposition: a sale, lease, license, consignment, transfer or other disposition of Property of an Obligor, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

Assignment and Acceptance: an assignment and acceptance agreement between a Lender and Eligible Assignee, in the form of **Exhibit A** or otherwise satisfactory to Agent.

Assumption Agreement: that certain Borrower/Guarantor Assumption Agreement dated as of the Closing Date, among Initial Borrower, Hydrofarm, WJCO, SunBlaster, EHH and Agent.

Availability: the Borrowing Base minus Revolver Usage.

Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve; (b) the Rent and Charges Reserve; (c) the Bank Product Reserve; (d) all accrued Royalties, then due and payable by an Obligor; (e) the aggregate amount of liabilities secured by Liens upon ABL Priority Collateral that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve and (g) such additional reserves, in such amounts and with respect to such matters, as Agent in its Permitted Discretion may elect to impose from time to time.

Average Availability: as of any date of determination, an amount equal to the quotient of (a) the sum of the end of day Availability for each day of the applicable measurement period, divided by (b) the number of days in such measurement period, all as reasonably determined by Agent.

Bail-In Action: the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

Bail-In Legislation: with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

Bank of America: means Bank of America, N.A. and its successors.

Bank of America Indemnitees: Bank of America and its officers, directors, employees, Affiliates, agents and attorneys.

Bank Product: any of the following products, services, or facilities extended to any Obligor or Affiliate of an Obligor by a Lender or any of its Affiliates: (a) Cash Management Services; (b) products under Hedging Agreements; (c) commercial credit card and merchant card services; and (d) leases and other banking products or services, other than Letters of Credit.

Bank Product Reserve: the aggregate amount of reserves established by Agent from time to time in its Permitted Discretion in respect of a Secured Bank Product Obligations.

Bankruptcy Code: Title 11 of the United States Code.

Base Rate: for any day, a per annum rate equal to the greatest of (a) the Prime Rate for such day; (b) the Federal Funds Rate for such day, plus 0.50%; or (c) LIBOR for a 30 day interest period as of such day, plus 1.0%.

Base Rate Loan: any Loan that bears interest based on the Base Rate.

Base Rate Revolver Loan: a Revolver Loan that bears interest based on the Base Rate.

Board of Governors: the Board of Governors of the Federal Reserve System.

Borrowed Money: with respect to any Obligor, without duplication, its (a) Debt that (i) arises from the lending of money by any Person to such Obligor, (ii) is evidenced by notes, drafts, bonds, debentures, credit documents or similar instruments, (iii) accrues interest or is a type upon which interest charges are customarily paid (excluding trade payables owing in the Ordinary Course of Business), or (iv) was issued or assumed as full or partial payment for Property; (b) Capital Leases; (c) unpaid reimbursement obligations with respect to letters of credit; and (d) guaranties of any Debt of the foregoing types owing by another Person.

Borrower Agent: as defined in **Section 4.4**.

Borrower and Borrowers: (a) at any time prior to the consummation of the Closing Date Acquisition and the execution and delivery of the Assumption Agreement, Initial Borrower, and (b) upon and at any time after the consummation of the Closing Date Acquisition and the execution and delivery of the Assumption Agreement, Hydrofarm, EHH, SunBlaster, WJCO and any future Subsidiary of Holdings that becomes a borrower hereunder pursuant to **Section 10.1.9**.

Borrower Materials: Borrowing Base Reports, Compliance Certificates and other information, reports, financial statements and other materials delivered by Obligors hereunder, as well as other Reports and information provided by Agent to Lenders.

Borrowing: a group of Loans that are made or converted together on the same day and have the same interest option and, if applicable, Interest Period.

Borrowing Base: on any date of determination, an amount equal to the lesser of (a) (i) the aggregate Revolver Commitments, minus (ii) the Availability Reserve; or (b) the sum of (i) the Accounts Formula Amount, plus (ii) the Inventory Formula Amount, plus (iii) the FILO Availability Amount, minus (iv) the Availability Reserve.

Borrowing Base Report: a report of the Borrowing Base, in form and substance satisfactory to Agent in its Permitted Discretion.

Business Day: any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York, and if such day relates to a LIBOR Loan, any such day on which dealings in Dollar deposits are conducted in the London interbank market.

Capital Expenditures: (a) all expenditures made and capitalized by Holdings, Borrowers, and Subsidiaries for property, plant, equipment, other fixed assets (including any such expenditures by way of Acquisition of a Person or by way of incurrence or assumption of Debt or other obligations, to the extent reflected as plant, property, equipment or other fixed assets), research and development or other long-term assets, but in each case excluding any portion of the purchase price paid with respect to any Permitted Acquisition, plus, (b) deposits made in anticipation of the purchase of such property, plant, and equipment, less such deposits previously included, less (c) (i) Net Proceeds of asset dispositions received which (x) Holdings, Borrowers, or Subsidiaries are permitted to reinvest pursuant to the terms of this Agreement and (y) are included in expenditures made and capitalized above, (ii) Net Proceeds of property insurance policies received which (x) Holdings, Borrowers, or Subsidiaries are permitted to reinvest pursuant to the terms of this Agreement and (y) are included in expenditures made and capitalized above, (iii) capitalized trade-ins of Equipment that is worn, damaged or obsolete with Equipment of like function and value, and (iv) Capital Expenditures financed with common Equity Interests issued by Holdings.

Capital Lease: any lease required to be capitalized for financial reporting purposes in accordance with GAAP.

Cash Collateral: cash delivered to Agent to Cash Collateralize any Obligations, and all interest, dividends, earnings and other proceeds relating thereto.

Cash Collateral Account: a demand deposit, money market or other account established by Agent at such financial institution as Agent may select in its discretion, which account shall be subject to a Lien in favor of Agent.

Cash Collateralize: the delivery of cash to Agent, as security for the payment of Obligations, in an amount equal to (a) with respect to LC Obligations, 105% of the aggregate LC Obligations and (b) with respect to (i) any inchoate or contingent Obligations with respect to which a claim has been asserted in writing and (ii) any other Obligations (including Secured Bank Product Obligations), in each case of **clause (b)**, Agent's good faith estimate of the amount due or to become due, including fees, expenses and indemnification hereunder. "Cash Collateralization" has a correlative meaning.

Cash Dominion Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs or (ii) (x) Availability is at any time less than 12.5% of the Revolving Commitment for at least five (5) consecutive Business Days or (y) Availability is at any time less than 10% of the Revolving Commitment; and (b) continuing until, during each of the preceding 30 consecutive days, no Event of Default has existed and Availability has been greater than 12.5% of the Revolving Commitment.

Cash Equivalents: (a) marketable obligations issued or unconditionally guaranteed by, and backed by the full faith and credit of, the U.S. government, maturing within twelve (12) calendar months of the date of acquisition; (b) certificates of deposit, time deposits and bankers' acceptances maturing within 12 calendar months of the date of acquisition, and overnight bank deposits, in each case which are issued by Bank of America or a commercial bank organized under the laws of the United States or any state or district thereof, rated A-1 (or better) by S&P or P -1 (or better) by Moody's at the time of acquisition, and (unless issued by a Lender) not subject to offset rights; (c) repurchase obligations with a term of not more than 30 days for underlying investments of the types described in **clauses (a)** and **(b)** entered into with any bank described in **clause (b)**; (d) commercial paper issued by Bank of America or rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and maturing within nine (9) calendar months of the date of acquisition; and (e) shares of any money market fund that has substantially all of its assets invested continuously in the types of investments referred to above, has net assets of at least $500,000,000 and has the highest rating obtainable from either Moody's or S&P.

Cash Management Services : services relating to operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, lockbox and stop payment services.

CERCLA: the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

Change in Law: the occurrence, after the date hereof, of (a) the adoption, taking effect or phasing in of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof; or (c) the making, issuance or application of any request, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that "Change in Law" shall include, regardless of the date enacted, adopted or issued, all requests, rules, guidelines, requirements or directives (i) under or relating to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or (ii) promulgated pursuant to Basel III by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar authority) or any other Governmental Authority.

Change of Control: (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all Equity Interests in all Borrowers and other Obligors, except as expressly permitted by **Section 10.2.9**; (b) Sponsor and Co-Investor, collectively, cease to directly or indirectly (x) own and control, beneficially and of record, at least 50.1% of the Equity Interests of Holdings; or (y) possess the right to elect (through contract, ownership of voting securities or otherwise) at all times a majority of the board of directors (or similar governing body) of Holdings or to direct the management policies and decisions of Holdings; (c) Sponsor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Holdings representing at least 50% of the voting power and at least 50% of the economic interest represented by the Equity Interests of Holdings held by Sponsor on the Closing Date; or (d) any "change of control" (or similar term) under the Term Loan Facility, the Term Loan Documents or any Subordinated Debt, while outstanding, shall have occurred.

Claims: all claims, liabilities, obligations, losses, damages, penalties, judgments, proceedings, interest, costs and expenses of any kind (including remedial response costs, reasonable attorneys' fees and Extraordinary Expenses) at any time (including after Full Payment of the Obligations or replacement of Agent or any Lender) incurred by any Indemnitee or asserted against any Indemnitee by any Obligor or other Person, in any way relating to (a) any Loans, Letters of Credit, Loan Documents, Borrower Materials, or the use thereof or transactions relating thereto, (b) any action taken or omitted in connection with any Loan Documents, (c) the existence or perfection of any Liens, or realization upon any Collateral, (d) exercise of any rights or remedies under any Loan Documents or Applicable Law, or (e) failure by any Obligor to perform or observe any terms of any Loan Document, in each case including all costs and expenses relating to any investigation, litigation, arbitration or other proceeding (including an Insolvency Proceeding or appellate proceedings), whether or not the applicable Indemnitee is a party thereto.

Closing Date: May 12, 2017.

Closing Date Acquisition: the Acquisition by Holdings of all of the Equity Interests of Hydrofarm on the date hereof for a purchase price of at least $192,090,408.00 pursuant to and in accordance with the Purchase Agreement.

Closing Date Perfection Condition: as defined in **Section 6.1**.

Closing Equity Contribution: the contribution of cash by the Sponsor and Co-Investor to Holdings, together with the rollover of equity by certain holders of Equity Interests in Hydrofarm into Equity Interests of Holdings, on or prior to the Closing Date in exchange for the issuance to the Sponsor, the Co-Investor and such rollover investors of Qualified Equity Interests of Holdings in an aggregate amount equal to at least 40.0% of the sum of (i) total funded Debt used to fund the Closing Debt Acquisition and the Refinancing (including, without limitation the Term Loans under the Term Loan Documents and the initial borrowings of Revolving Loans on the Closing Date and (ii) the aggregate amount of equity contributions to Holdings hereinabove described.

Code: the Internal Revenue Code of 1986, as amended.

Co-Investor: collectively, (a) Aaron Serruya, Michael Serruya, Simon Serruya, and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (b) Serruya Private Equity and its Controlled Investment Affiliates and (c) BCM X3 Holdings, LLC and its Controlled Investment Affiliates.

Collateral: all Property described in **Section 7.1**, all Property described in any Security Documents as security for any Obligations, and all other Property that now or hereafter secures (or is intended to secure) any Obligations.

Collateral Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs or (ii) Availability is at any time less than 20.0% of the Revolving Commitment for at least five (5) consecutive Business Days; and (b) continuing until, during each of the preceding 30 consecutive days, no Event of Default has existed and Availability has been greater than 20.0% of the Revolving Commitment.

Colorado Property: that certain Real Property located at 4200 East 50th Avenue in Denver, Colorado.

Commitment: for any Lender, the aggregate amount of such Lender's Revolver Commitment "Commitments" means the aggregate amount of all Revolver Commitments.

Commitment Termination Date: the earliest to occur of (a) the Revolver Termination Date; (b) the date on which Borrowers terminate the Revolver Commitments pursuant to **Section 2.1.4**; or (c) the date on which the Revolver Commitments are terminated pursuant to **Section 11.2**.

Commodity Exchange Act: the Commodity Exchange Act (7 U.S.C. § 1 *et seq*.).

Company: as defined in the preamble to this Agreement.

Compliance Certificate: a certificate, in the form of **Exhibit C** and otherwise in form and substance satisfactory to Agent, by which Borrower Agent certifies compliance with **Sections 10.2.3** and **10.3**, and calculates the applicable Level for the Applicable Margin.

Connection Income Taxes: Other Connection Taxes that are imposed on or measured by net income (however denominated), or are franchise or branch profits Taxes.

Consolidated Amortization Expense: the amount of amortization expense deducted in determining Consolidated Net Income.

Consolidated Depreciation Expense: the amount of depreciation expense deducted in determining Consolidated Net Income.

Consolidated Interest Expense: for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

Consolidated Net Income: for any fiscal period, the consolidated net income (or loss) of Holdings, Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, any Borrower or any of its Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of its Subsidiaries from such Person during such period,

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of its Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of its Subsidiaries,

(c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and

(d) the cumulative effect of a change in accounting principles.

Consolidated Tax Expenses: federal, state and local income tax expenses of Holdings, Borrowers and their Subsidiaries.

Contingent Obligation: any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co-making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of nonperformance by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

Contracts: all (i) contracts and agreements for the purchase of real and personal property, easements and rights of way, (ii) customer, management and supplier contracts and agreements, (iii) Material Contracts and any rights thereunder, including the right to receive payments, (iv) security agreements, guarantees and other agreements evidencing, securing or otherwise relating to the Accounts or other rights to receive payment, and (v) other agreements to which Obligors are parties and all other contracts and contractual rights, indemnification rights, and other remedies or provisions, in each case whether now existing or hereafter arising.

Controlled Investment Affiliate: as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

CWA: the Clean Water Act (33 U.S.C. §§ 1251 et seq.).

Debt: as applied to any Person, without duplication, (a) all items that would be included as liabilities on a balance sheet in accordance with GAAP, including Capital Leases, but excluding trade payables incurred and being paid in the Ordinary Course of Business; (b) all Contingent Obligations; (c) all reimbursement obligations in connection with letters of credit issued for the account of such Person; and (d) in the case of an Obligor, the Obligations and the Term Loan Obligations. The Debt of a Person shall include any recourse Debt of any partnership in which such Person is a general partner or joint venturer.

Default: an event or condition that, with the lapse of applicable cure or grace periods or giving of notice, would constitute an Event of Default.

Default Rate: for any Obligation (including, to the extent permitted by law, interest not paid when due), 2% plus the interest rate otherwise applicable thereto.

Defaulting Lender: any Lender that (a) has failed to comply with its funding obligations hereunder, and such failure is not cured within two Business Days; (b) has notified Agent or any Borrower that such Lender does not intend to comply with its funding obligations hereunder or under any other credit facility, or has made a public statement to that effect; (c) has failed, within three Business Days following request by Agent or any Borrower, to confirm in a manner satisfactory to Agent and Borrowers that such Lender will comply with its funding obligations hereunder; or (d) has, or has a direct or indirect parent company that has, become the subject of an Insolvency Proceeding (including reorganization, liquidation, or appointment of a receiver, custodian, administrator or similar Person by the Federal Deposit Insurance Corporation or any other regulatory authority) or Bail-In Action; provided, however, that a Lender shall not be a Defaulting Lender solely by virtue of a Governmental Authority's ownership of an equity interest in such Lender or parent company unless the ownership provides immunity for such Lender from jurisdiction of courts within the United States or from enforcement of judgments or writs of attachment on its assets, or permits such Lender or Governmental Authority to repudiate or otherwise to reject such Lender's agreements.

Deposit Account: as defined in the UCC.

Deposit Account Control Agreement: control agreement satisfactory to Agent executed by an institution maintaining a Deposit Account that is not an Excluded Account for an Obligor, to perfect Agent's Lien on such account.

Designated Jurisdiction: a country or territory that is the subject of a Sanction.

Dilution Reserve: a reserve determined by Agent in its Permitted Discretion, if Agent's dilution calculation exceeds five percent (5%) (such reserve solely with respect to such excess amount), with respect to bad debt write-downs or write-offs, discounts, returns, promotions, credits, credit memos and other dilutive items with respect to Accounts.

Disqualified Equity Interests: means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is one hundred eighty (180) days following the Revolver Termination Date (excluding any provisions requiring redemption upon a "change of control" or similar event; provided that such "change of control" or similar event results in the Payment in Full of all Obligations), (b) is convertible into or exchangeable for (i) debt securities or (ii) any Equity Interest referred to in clause (a) above, in each case, at any time on or prior to the date that is one hundred eighty (180) days following the Revolver Termination Date at the time such Equity Interest was issued, or (c) is entitled to receive scheduled dividends or distributions in cash prior to the date that is one hundred eighty (180) days following the Revolver Termination Date.

Distribution: (a) any declaration or payment of a distribution, interest or dividend on any Equity Interest (other than payment-in-kind); (b) any distribution, advance or repayment of Debt to a holder of Equity Interests; or purchase, redemption, or other acquisition or retirement for value of any Equity Interest or (c) any management fees paid to the Sponsor.

Dollars: lawful money of the United States.

Dominion Account: subject to Section 8.2.4, a special account established by Borrowers or any Obligor at Bank of America, over which Agent has exclusive control for withdrawal purposes; provided, however, that no Excluded Account shall be subject to control by the Agent or be required to be at Bank of America.

Domain Names: all internet domain names and associated URL addresses in or to which any Obligor has any right, title or interest.

EBITDA: for any period, determined on a consolidated basis for Obligors and Subsidiaries, Consolidated Net Income for such measurement period, plus, (a) to the extent deducted from Consolidated Net Income for such period and without duplication:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash in connection with Closing Date Acquisition, this credit facility, the Loan Documents and the Term Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) the aggregate amount of management fees and reimbursement and indemnification payments accrued or paid to Sponsor or its Affiliates for such period, to the extent such payments are permitted to be paid or accrued pursuant to the terms hereof and of the Management Agreement,

(viii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of Accounts or Inventory),

(ix) transaction fees, costs, and expenses incurred in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed $500,000 in any twelve-month period,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Senior Officer of Borrower Agent, and (y) reasonably expected by Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate), and

(xii) other non-recurring fees and expenses approved by Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "Consolidated EBITDA" under the Term Loan Facility pursuant to clause (a)(xii) of the definition of "Consolidated EBITDA" set forth in the Term Loan Facility, and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication,

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains arising from the write-up of assets (other than with respect to Accounts or Inventory), and

(iii) any non-cash extraordinary gains during such period.

Notwithstanding the foregoing, "EBITDA" for the month ended February 28, 2017 and the eleven months ended prior to such date shall be the amounts set forth under the heading "EBITDA" for each such month as set forth on **Schedule 1.2**.

EEA Financial Institution: (a) any credit institution or investment firm established in an EEA Member Country that is subject to the supervision of an EEA Resolution Authority; (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) above; or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in the foregoing clauses and is subject to consolidated supervision with its parent.

EEA Member Country: any of the member states of the European Union, Iceland, Liechtenstein and Norway.

EEA Resolution Authority: any public administrative authority or any Person entrusted with public administrative authority of an EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

EHH: as defined in the preamble to this Agreement.

Eligible Account: an Account owing to a Borrower that arises in the Ordinary Course of Business from the sale of goods or rendition of services, is payable in Dollars and is deemed by Agent, in its Permitted Discretion, to be an Eligible Account. Without limiting the foregoing, no Account shall be an Eligible Account if (a) it is unpaid for more than sixty (60) days after the original due date, or more than one hundred twenty (120) days after the original invoice date; (b) 50% or more of the Accounts owing by the Account Debtor are not Eligible Accounts under the foregoing clause; (c) when aggregated with other Accounts owing by the Account Debtor, it exceeds 15% (or, solely with respect to the Accounts owing by Amazon, 25%) of the aggregate Eligible Accounts (or such higher percentage as Agent may establish for the Account Debtor from time to time); (d) it does not conform with a covenant or representation herein; (e) it is owing by a creditor or supplier, or is otherwise subject to a potential offset, counterclaim, dispute, deduction, discount, recoupment, reserve, defense, chargeback, credit or allowance (but ineligibility shall be limited to the amount thereof); (f) an Insolvency Proceeding has been commenced by or against the Account Debtor; or the Account Debtor has failed, has suspended or ceased doing business, is liquidating, dissolving or winding up its affairs, is not Solvent, or is subject to any Sanction or on any specially designated nationals list maintained by OFAC; or the Borrower is not able to bring suit or enforce remedies against the Account Debtor through judicial process; (g) the Account Debtor is organized or has its principal offices or assets outside the United States or Canada, unless the Account is supported by a letter of credit (delivered to and directly drawable by Agent) or credit insurance satisfactory in all respects to Agent; (h) it is owing by a Governmental Authority, unless the Account Debtor is the United States or any department, agency or instrumentality thereof and the Account has been assigned to Agent in compliance with the federal Assignment of Claims Act; (i) it is not subject to a duly perfected, first priority Lien in favor of Agent, or is subject to any other Lien, other than those permitted pursuant to Section **10.2.2(c) and (k)**; (j) the goods giving rise to it have not been delivered to the Account Debtor, the services giving rise to it have not been accepted by the Account Debtor, or it otherwise does not represent a final sale; (k) it is evidenced by Chattel Paper or an Instrument of any kind, or has been reduced to judgment; (l) its payment has been extended or the Account Debtor has made a partial payment; (m) it arises from a sale to an Affiliate, from a sale on a cash-on-delivery, bill-and-hold, sale-or-return, sale-on-approval, consignment, or other repurchase or return basis, or from a sale for personal, family or household purposes; (n) it represents a progress billing or retainage, or relates to services for which a performance, surety or completion bond or similar assurance has been issued; or (o) it includes a billing for interest, fees or late charges, but ineligibility shall be limited to the extent thereof. In calculating delinquent portions of Accounts under clauses (a) and (b), credit balances more than one hundred twenty (120) days old or more than sixty (60) days past due will be excluded.

Eligible Assignee: (a) a Lender, Affiliate of a Lender or Approved Fund; (b) an assignee approved by Borrower Agent (which approval shall not be unreasonably withheld or delayed, and shall be deemed given if no objection is made within two Business Days after notice of the proposed assignment) and Agent; or (c) during an Event of Default, any Person acceptable to Agent in its discretion.

Eligible Inventory: Inventory owned by a Borrower that Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the foregoing, no Inventory shall be Eligible Inventory unless it (a) is finished goods or raw materials, and not work in process, packaging or shipping materials, labels, samples, display items, bags, replacement parts or manufacturing supplies; (b) is not held on consignment, nor subject to any deposit or down payment; (c) is in new and saleable condition and is not damaged, defective, shopworn or otherwise unfit for sale; (d) is not slow-moving, perishable, obsolete or unmerchantable, and does not constitute returned or repossessed goods; (e) meets all standards imposed by any Governmental Authority, has not been acquired from a Person subject to any Sanction or on any specially designated nationals list maintained by OFAC, and does not constitute hazardous materials under any Environmental Law; (f) conforms with the covenants and representations herein; (g) is subject to Agent's duly perfected, first priority Lien, and no other Lien, other than those permitted pursuant to **Section 10.2.2 (c), (d), (f), (g)** and **(k)**; (h) is within the continental United States or Canada, is not in transit except between locations of Borrowers, and is not consigned to any Person; (i) is not subject to any warehouse receipt or negotiable Document; (j) is not located on premises where the aggregate Value of all such Inventory located thereon is less than $100,000; (k) is not subject to any License or other arrangement that restricts such Borrower's or Agent's right to dispose of such Inventory, unless Agent has received an appropriate Lien Waiver; and (l) is not located on leased premises or in the possession of a warehouseman, processor, repairman, mechanic, shipper, freight forwarder or other Person, unless the lessor or such Person has delivered a Lien Waiver or an appropriate Rent and Charges Reserve has been established.

Enforcement Action: any action to enforce any Obligations (other than Secured Bank Product Obligations) or Loan Documents or to exercise any rights or remedies relating to any Collateral, whether by judicial action, self-help, notification of Account Debtors, setoff or recoupment, credit bid, deed in lieu of foreclosure, action in an Insolvency Proceeding or otherwise.

Environmental Agreement: an agreement of an Obligor to indemnify Agent and Lenders from liability under Environmental Laws with respect to Real Estate subject to a Mortgage.

Environmental Laws: Applicable Laws (including programs, permits and guidance promulgated by regulators) relating to public health (other than occupational safety and health regulated by OSHA) or the protection or pollution of the environment, including CERCLA, RCRA and CWA.

Environmental Notice: a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

Environmental Release: a release as defined in CERCLA or under any other Environmental Law.

Equity Interest: the interest of any (a) shareholder in a corporation; (b) partner in a partnership (whether general, limited, limited liability or joint venture); (c) member in a limited liability company; or (d) other Person having any other form of equity security or ownership interest.

ERISA: the Employee Retirement Income Security Act of 1974.

ERISA Affiliate: any trade or business (whether or not incorporated) under common control with an Obligor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

ERISA Event: (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal of an Obligor or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Obligor or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the institution of proceedings by the PBGC to terminate a Pension Plan; (e) the determination that any Pension Plan is considered an at-risk plan or a plan in critical or endangered status under the Code or ERISA; (f) an event or condition that constitutes grounds under Section 4042 of ERISA for termination of, or appointment of a trustee to administer, any Pension Plan; (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Obligor or ERISA Affiliate; or (h) the failure by any Obligor or ERISA Affiliate to meet all applicable requirements under the Pension Funding Rules in respect of a Pension Plan, whether or not waived, or to make a required contribution to a Multiemployer Plan.

EU Bail-In Legislation Schedule: the EU Bail-In Legislation Schedule published by the Loan Market Association, as in effect from time to time.

Event of Default: as defined in **Section 11**.

Excluded Accounts: with respect to any Obligor, any deposit account used solely for (i) payroll and accrued payroll expenses, (ii) tax payments, (iii) employee benefit accounts and/or (iv) petty cash and other accounts in the aggregate not exceeding $100,000 for all such accounts.

Excluded Property: (i) any Excluded Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by an Obligor of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest; (iii) any Equity Interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of an Obligor, (y) that the granting of a Lien thereon is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Grantors in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar Equity Interests of such Foreign Subsidiary which are entitled to vote; (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code or any other Applicable Law or principles of equity; (v) upon the written consent of Agent, any Equity Interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of an Obligor, if the terms of the Organic Documents of such pledged entity do not permit the grant of a security interest in such Equity Interests by the owner thereof or the applicable Obligor has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Organic Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by Agent in its Permitted Discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents), (vii) any Excluded Real Estate described in clauses (a) or (b) of the definition thereof; provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the UCC (including Sections 9-406, 9-407 and 9-408 thereof) or other Applicable Law (including the Bankruptcy Code) or principles of equity, (b) so as to limit, impair or otherwise affect Agent's unconditional continuing Liens upon any rights or interests of any Obligor in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any Accounts), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

Excluded Real Estate: (a) the Colorado Property, (b) any Real Estate acquired by an Obligor after the Closing Date with an individual value less than $1,000,000 or (c) any Real Estate acquired by an Obligor after the Closing Date with an individual value equal to or greater than $1,000,000 with respect to which Agent elects in writing in its sole discretion not to require a Mortgage.

Excluded Swap Obligation: with respect to an Obligor, each Swap Obligation as to which, and only to the extent that, such Obligor's guaranty of or grant of a Lien as security for such Swap Obligation is or becomes illegal under the Commodity Exchange Act because the Obligor does not constitute an "eligible contract participant" as defined in the act (determined after giving effect to any keepwell, support or other agreement for the benefit of such Obligor and all guarantees of Swap Obligations by other Obligors) when such guaranty or grant of Lien becomes effective with respect to the Swap Obligation. If a Hedging Agreement governs more than one Swap Obligation, only the Swap Obligation(s) or portions thereof described in the foregoing sentence shall be Excluded Swap Obligation(s) for the applicable Obligor.

Excluded Taxes: (a) Taxes imposed on or measured by a Recipient's net income (however denominated), franchise Taxes and branch profits Taxes (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or applicable Lending Office located in, the jurisdiction imposing such Tax, or (ii) constituting Other Connection Taxes; (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of a Lender with respect to its interest in a Loan or Commitment pursuant to a law in effect when the Lender acquires such interest (except pursuant to an assignment request by Borrower Agent under **Section 13.4**) or changes its Lending Office, unless the Taxes were payable to its assignor immediately prior to such assignment or to the Lender immediately prior to its change in Lending Office; (c) Taxes attributable to a Recipient's failure to comply with **Section 5.10**; and (d) U.S. federal withholding Taxes imposed pursuant to FATCA. In no event shall "Excluded Taxes" include any withholding Tax imposed on amounts paid by or on behalf of a foreign Obligor to a Recipient that has complied with **Section 5.10.2**.

Existing Debt Agreements: collectively, (a) that certain Second Amended and Restated Credit Agreement dated as of December 16, 2016 between Hydrofarm and Wells Fargo Bank, National Association, (b) the Real Estate Term Note, (c) that certain ISDA Master Agreement, dated as of December 10, 2010, between Hydrofarm and Wells Fargo Bank, National Association, including all confirmations issued thereunder and all schedules thereto delivered in connection therewith prior to the date hereof, (d) that certain Continuing Guaranty, dated December 31, 2015, executed by Hydrofarm and guaranteeing the obligations of WJCO and (e) that certain Continuing Guaranty, dated September 1, 2007, executed by Hydrofarm and guaranteeing the obligations of McDowell Group, LLC, in each case, as amended or otherwise modified prior to the date hereof.

Extraordinary Expenses : all costs, expenses or advances that Agent may incur during a Default or Event of Default, or during the pendency of an Insolvency Proceeding of an Obligor, including those relating to (a) any audit, inspection, repossession, storage, repair, appraisal, insurance, manufacture, preparation or advertising for sale, sale, collection, or other preservation of or realization upon any Collateral; (b) any action, arbitration or other proceeding (whether instituted by or against Agent, any Lender, any Obligor, any representative of creditors of an Obligor or any other Person) in any way relating to any Collateral (including the validity, perfection, priority or avoidability of Agent's Liens with respect to any Collateral), Loan Documents, Letters of Credit or Obligations, including any lender liability or other Claims; (c) the exercise of any rights or remedies of Agent in, or the monitoring of, any Insolvency Proceeding; (d) settlement or satisfaction of taxes, charges or Liens with respect to any Collateral; (e) any Enforcement Action; and (f) negotiation and documentation of any modification, waiver, workout, restructuring or forbearance with respect to any Loan Documents or Obligations. Such costs, expenses and advances include transfer fees, Other Taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' and auctioneers' fees and commissions, accountants' fees, environmental study fees, wages and salaries paid to employees of any Obligor or independent contractors in liquidating any Collateral, and travel expenses.

Extraordinary Receipts: any cash received by or paid to or for the account of any Obligor or any of its Subsidiaries not in the Ordinary Course of Business (and not consisting of proceeds described in any of **clauses (a)**, **(b)**, **(c)** or **(d)** of **Section 5.3**), including without limitation tax refunds, insurance proceeds, indemnification payments (other than such indemnification payments to the extent that the amounts so received are applied by an Obligor or its Subsidiary, as applicable, or are reimbursement or payment on behalf of an Obligor or its Subsidiary, as applicable, for costs incurred for the purpose of replacing, repairing or restoring any assets or properties of an Obligor or Subsidiary or reimbursement for settlement costs, thereby satisfying the condition giving rise to the claim for indemnification, or reimbursement or indemnification for costs, or otherwise covering losses arising as a result of the circumstances giving rise to the underlying claims, or any out-of-pocket expenses incurred by any Obligor or Subsidiary of any Obligor in obtaining such payments or the payment of taxes arising thereunder) and purchase price adjustments (other than working capital and other similar adjustments) made pursuant to the Closing Date Acquisition or any Permitted Acquisition; provided, that Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than $350,000.

FATCA: Sections 1471 through 1474 of the Code (including any amended or successor version if substantively comparable and not materially more onerous to comply with), and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

Federal Funds Rate: (a) the weighted average of interest rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on the applicable Business Day (or on the preceding Business Day, if the applicable day is not a Business Day), as published by the Federal Reserve Bank of New York on the next Business Day; or (b) if no such rate is published on the next Business Day, the average rate (rounded up, if necessary, to the nearest 1/8 of 1%) charged to Bank of America on the applicable day on such transactions, as determined by Agent; provided, that in no event shall such rate be less than zero.

Fee Letter: that certain fee letter dated the date hereof among (x) the Initial Borrower, (y) immediately after giving effect to the Closing Date Acquisition and execution and delivery of the Assumption Agreement, Hydrofarm, EHH, SunBlaster and WJCO and (z) Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

FILO Accounts Percentage: 5%; provided, however, that commencing on December 12, 2018 and continuing on the first day of each successive month thereafter until such percentage is reduced to 0%, such percentage shall be reduced by 0.2778%

FILO Availability Amount: on any date of determination, an amount equal to the lesser of (a) the sum of: (i) the FILO Accounts Percentage of the Value of Eligible Accounts, plus (ii) the lesser of (x) the FILO Inventory Percentage of the Value of Eligible Inventory or (y) the FILO Inventory Percentage of the NOLV Percentage of the Value of Eligible Inventory, and (b) $5,000,000.

FILO Inventory Percentage: 10%; provided, however, that commencing on December 12, 2018 and continuing on the first day of each successive month thereafter until such percentage is reduced to 0%, such percentage shall be reduced by 0.5556%.

FILO Loans: as defined in **Section 2.1.1**.

Financial Covenant Trigger Period: the period, as applicable, (a) (i) commencing on the day that an Event of Default occurs and (ii) continuing until the day such Event of Default no longer exists and/or (b) (i) commencing on the day that Availability is at any time less than 12.5% of the Revolving Commitment and (b) continuing until, during each of the preceding 30 consecutive days, Availability has been greater than 12.5% of the Revolving Commitment.

Financing Closing; the closing of the financing contemplated by the Term Loan Documents and this Agreement.

Fiscal Quarter: each period of three calendar months, commencing on the first day of a Fiscal Year.

Fiscal Year: the fiscal year of Holdings, Borrowers, and their Subsidiaries for accounting and tax purposes, commencing on January 1 and ending on December 31 of each year.

Fixed Charge Coverage Ratio: the ratio, determined on a consolidated basis for Obligors and Subsidiaries for the most recent 12 months, of (a) EBITDA for such period minus (i) Unfinanced Capital Expenditures for such period, (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Permitted Tax Distributions, during such period and (iii) Distributions made in cash (including, without limitation, for the avoidance of doubt, all management fees paid in cash pursuant to the Management Agreements) to (b) Fixed Charges.

Notwithstanding the foregoing, the amounts for each of the items set forth in **clauses (a)(i)**, **(a)(ii)**, **(a)(iii)** and **(b)** for the month ended February 28, 2017 and the eleven months ended prior to such date shall be the amounts set forth under the corresponding heading for each such month as set forth on **Schedule 1.2**.

Fixed Charges: means, for any period for which the amount thereof is to be determined, the sum, without duplication of (a) Consolidated Interest Expense (other than payment-in-kind interest expense), and (b) the principal amount of all scheduled principal payments made on Indebtedness (other than Revolver Loans) of Holdings, Borrowers and their Subsidiaries, in each case, for such period.

FLSA: the Fair Labor Standards Act of 1938.

Flood Disaster Protection Act: the federal Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor thereto.

Flood Insurance Laws: shall mean, collectively, (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act, (iii) the National Flood Insurance Reform Act of 1994 as now or hereafter in effect or any successor statute thereto and (iv) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto.

Foreign Lender: any Lender that is not a U.S. Person.

Foreign Plan: any employee benefit plan or arrangement (a) maintained or contributed to by any Obligor or Subsidiary that is not subject to the laws of the United States; or (b) mandated by a government other than the United States for employees of any Obligor or Subsidiary.

Foreign Subsidiary: a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

Fronting Exposure: a Defaulting Lender's interest in LC Obligations, Swingline Loans and Protective Advances, except to the extent Cash Collateralized by the Defaulting Lender or allocated to other Lenders hereunder.

Full Payment, Paid in Full, Payment in Full or payment in full or other correlative use: with respect to any Obligations, the full cash payment thereof, including any interest, fees and other charges accruing during an Insolvency Proceeding (whether or not allowed in the proceeding), other than (i) LC Obligations to the extent of Cash Collateralization thereof (or delivery of a standby letter of credit acceptable to Agent in its Permitted Discretion, in the amount of required Cash Collateral), (ii) contingent indemnification and other inchoate obligations for which no claim has been asserted, (iii) contingent indemnification and other inchoate obligations for which a claim has been asserted in writing to the extent of Cash Collateralization thereof, and (iv) Bank Product Obligations to the extent of Cash Collateralization thereof. No Loans shall be deemed to have been paid in full unless all Commitments related to such Loans have terminated.

GAAP: generally accepted accounting principles in effect in the United States from time to time. Notwithstanding anything to the contrary contained herein, books and records shall be kept in accordance with GAAP commencing July 1, 2017 and all references in this Agreement to "in accordance with GAAP" for any time preceding July 1, 2017 shall be deemed to be "on a tax basis".

Governmental Approvals : all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and required reports to, all Governmental Authorities.

Governmental Authority: any federal, state, local, foreign or other agency, authority, body, commission, court, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority (including the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or European Central Bank).

Guarantor Payment: as defined in **Section 5.11.3**.

Guarantors: (a) upon and at any time after the consummation of the Closing Date Acquisition and the execution and delivery of the Assumption Agreement, Holdings and (b) each other Person that guarantees payment or performance of Obligations (including, without limitation, any Person party to a Guaranty).

Guaranty: each guaranty agreement executed by a Guarantor in favor of Agent.

Hedging Agreement: a "swap agreement" as defined in Bankruptcy Code Section 101(53B)(A).

Holdings: as defined in the preamble to this Agreement.

Hydrofarm: as defined in the preamble to this Agreement.

Indemnified Taxes : (a) Taxes, other than Excluded Taxes, imposed on or relating to any payment of an Obligation; and (b) to the extent not otherwise described in clause (a), Other Taxes.

Indemnitees: Agent Indemnitees, Lender Indemnitees, Issuing Bank Indemnitees and Bank of America Indemnitees.

Initial Borrower: as defined in the preamble to this Agreement.

Insolvency Proceeding: any voluntary or involuntary case or proceeding commenced by or against a Person under any state, federal or foreign law for, or any agreement of such Person to,

(a) the entry of an order for relief under the Bankruptcy Code, or any other insolvency, debtor relief or debt adjustment law; (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; or (c) an assignment or trust mortgage for the benefit of creditors.

Insurance Assignment: each Assignment of Proceeds of Business Interruption Insurance Policy as Collateral Security dated as of the date hereof by the Obligors in favor of Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

Intellectual Property: all intellectual and similar Property of a Person, including inventions, designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, applications, registrations and franchises; all licenses or other rights to use any of the foregoing; and all books and records relating to the foregoing.

Intellectual Property Claim: any claim or assertion (whether in writing, by suit or otherwise) that a Borrower's or Subsidiary's ownership, use, marketing, sale or distribution of any Inventory, Equipment, Intellectual Property or other Property violates another Person's Intellectual Property.

Intercreditor Agreement: the Intercreditor Agreement dated as of the date hereof, between the Term Loan Agent and Agent, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

Interest Period: as defined in **Section 3.1.3**.

Inventory: as defined in the UCC, including all goods intended for sale, lease, display or demonstration; all work in process; and all raw materials, and other materials and supplies of any kind that are or could be used in connection with the manufacture, printing, packing, shipping, advertising, sale, lease or furnishing of such goods, or otherwise used or consumed in a Borrower's business (but excluding Equipment).

Inventory Formula Amount: the lesser of (i) up to 70% of the Value of Eligible Inventory or (ii) 85% of the NOLV Percentage of the Value of Eligible Inventory.

Inventory Reserve: reserves established by Agent in its Permitted Discretion to reflect factors that may negatively impact the Value of Inventory, including change in salability, obsolescence, seasonality, theft, shrinkage, imbalance, change in composition or mix, markdowns and vendor chargebacks.

Investment: an Acquisition, an acquisition of record or beneficial ownership of any Equity Interests of a Person, or an advance or capital contribution to or other investment in a Person.

IP Security Agreement: a collateral assignment or security agreement pursuant to which an Obligor grants a Lien on its Intellectual Property to Agent, as security for its Obligations, substantially in the form of **Exhibit D**.

IRS: the United States Internal Revenue Service.

Issuing Bank: Bank of America (including any Lending Office of Bank of America), or any replacement issuer appointed pursuant to **Section 2.3.4**.

Issuing Bank Indemnitees: Issuing Bank and its officers, directors, employees, Affiliates, agents and attorneys.

Judgment Currency: as defined in Section 1.5.

LC Application: an application by Borrower Agent to Issuing Bank for issuance of a Letter of Credit, in form and substance satisfactory to Issuing Bank and Agent.

LC Conditions : the following conditions necessary for issuance of a Letter of Credit: (a) each of the conditions set forth in **Section 6** are satisfied; (b) after giving effect to such issuance, total LC Obligations do not exceed the Letter of Credit Subline, no Overadvance exists and Revolver Usage does not exceed the Borrowing Base; (c) the Letter of Credit and payments thereunder are denominated in Dollars or other currency satisfactory to Agent and Issuing Bank; and (d) the purpose and form of the proposed Letter of Credit are satisfactory to Agent and Issuing Bank in their Permitted Discretion.

LC Documents: all documents, instruments and agreements (including LC Requests and LC Applications) delivered by Borrowers or any other Person to Issuing Bank or Agent in connection with any Letter of Credit.

LC Obligations: the sum of (a) all amounts owing by Borrowers for drawings under Letters of Credit; and (b) the Stated Amount of all outstanding Letters of Credit.

LC Request : a request for issuance of a Letter of Credit, to be provided by Borrower Agent to Issuing Bank, in form satisfactory to Agent and Issuing Bank.

Lender Indemnitees: Lenders and Secured Bank Product Providers, and their officers, directors, employees, Affiliates, agents and attorneys.

Lenders: lenders party to this Agreement (including Agent in its capacity as provider of Swingline Loans) and any Person who hereafter becomes a "Lender" pursuant to an Assignment and Acceptance, including any Lending Office of the foregoing.

Lending Office: the office (including any domestic or foreign Affiliate or branch) designated as such by a Lender or Issuing Bank by notice to Agent and Borrower Agent.

Letter of Credit: any standby or documentary letter of credit, foreign guaranty, documentary bankers acceptance, indemnity, reimbursement agreement or similar instrument issued by Issuing Bank for the account or benefit of a Borrower or Affiliate of a Borrower.

Letter of Credit Subline: $6,000,000.

LIBOR : the per annum rate of interest (rounded up to the nearest 1/8th of 1%) determined by Agent at or about 11:00 a.m. (London time) two Business Days prior to an interest period, for a term equivalent to such period, equal to the London Interbank Offered Rate, or comparable or successor rate approved by Agent, as published on the applicable Reuters screen page (or other commercially available source designated by Agent from time to time); provided, that any comparable or successor rate shall be applied by Agent, if administratively feasible, in a manner consistent with market practice; provided further, that in no event shall LIBOR be less than zero.

LIBOR Loan: each set of LIBOR Revolver Loans having a common length and commencement of Interest Period.

LIBOR Revolver Loan: a Revolver Loan that bears interest based on LIBOR.

License: any license or agreement under which an Obligor is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

Licensor: any Person from whom an Obligor obtains the right to use any Intellectual Property.

Lien: a Person's interest in Property securing an obligation owed to, or a claim by, such Person, including any lien, security interest, pledge, hypothecation, assignment, trust, reservation, encroachment, easement, right-of-way, covenant, condition, restriction, lease, or other title exception or encumbrance.

Lien Waiver: an agreement, in form and substance satisfactory to Agent in its Permitted Discretion, by which (a) for any material Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Agent to enter upon the premises and remove the Collateral or to use the premises to store or dispose of the Collateral, such agreement substantially in the form of **Exhibit E**; (b) for any Collateral held by a warehouseman, processor, shipper, customs broker or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any Documents in its possession relating to the Collateral as agent for Agent, and agrees to deliver the Collateral to Agent upon request, such agreement substantially in the form of **Exhibit F**; (c) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to Agent upon request; and (d) for any Collateral subject to a Licensor's Intellectual Property rights, the Licensor grants to Agent the right, vis-à-vis such Licensor, to enforce Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable License.

Loan: a Revolver Loan.

Loan Documents: this Agreement, Other Agreements, Security Documents, any amendments to the foregoing and any other documents from time to time designated as a "Loan Document" by Borrowers and Agent. For the avoidance of doubt, the Purchase Agreement and agreements, documents or instruments for Bank Products are not and shall not be deemed to be Loan Documents.

Loan Year: each 12 month period commencing on the Closing Date and on each anniversary of the Closing Date.

Management Agreements: collectively, the (a) Management Agreement dated the Closing Date between Hawthorn Equity Partners, Inc. and Holdings, and (b) Management Agreement dated the Closing Date between JAMS Holdings LLC and Holdings, in each case, as the same may be amended, modified, supplemented and/or restated to the extent permitted under this Agreement.

Managers: collectively, Hawthorn Equity Partners, Inc. and JAMS International LLC.

Margin Stock: as defined in Regulation U of the Board of Governors.

Material Adverse Effect: the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could be reasonably expected to have a material adverse effect on the business, operations, Properties, or financial condition of any Obligor, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of Agent's Liens on any Collateral; (b) impairs the ability of an Obligor to perform its obligations under the Loan Documents, including repayment of any Obligations; or

(c) otherwise impairs the ability of Agent or any Lender to enforce or collect any Obligations or to realize upon any ABL Priority Collateral or any other material Collateral.

Material Contract: other than the Purchase Agreement and the Loan Documents any agreement or arrangement to which an Obligor or Subsidiary is party (other than the Loan Documents) (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933; (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (c) that relates to either (x) Subordinated Debt or (y) Debt, in the case of this clause (y), in an aggregate amount of $1,000,000 or more.

Moody's: Moody's Investors Service, Inc. or any successor acceptable to Agent.

Mortgage: a mortgage or deed of trust in which an Obligor grants a Lien on its Real Estate to Agent, as security for its Obligations.

Mortgaged Property or Mortgaged Properties: means any owned property of an Obligor that is or will become encumbered by a Mortgage in favor of the Agent in accordance with the terms of this Agreement.

Multiemployer Plan: any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which an Obligor or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

Multiple Employer Plan: a Plan that has two or more contributing sponsors, including an Obligor or ERISA Affiliate, at least two of whom are not under common control, as described in Section 4064 of ERISA.

Negotiable Collateral: all of letters of credit, Letter-of-Credit Rights, Instruments, promissory notes, drafts and Documents, and all Supporting Obligations in respect thereof.

Net Proceeds: with respect to an Asset Disposition, an issuance of Equity Interests, and/or the receipt of Extraordinary Receipts, the cash proceeds (including, when received, any deferred or escrowed payments) as and when received by an Obligor or Subsidiary in cash from such disposition and/or such receipt (as applicable) (other than cash proceeds of any business interruption insurance policy to the extent paid on account of lost income, the proceeds of which shall be directed to pay down Revolver Loans and otherwise be used for working capital and expenses related to the loss), net of (a) reasonable and customary costs and expenses actually incurred in connection therewith, including legal, accounting and investment banking fees and sales commissions; (b) amounts applied to repayment of Debt secured by a Permitted Lien senior to Agent's Liens on Collateral sold (with respect to an Asset Disposition); (c) transfer or similar taxes paid or reasonably estimated by Borrowers to be payable as a result of any applicable Asset Disposition (together with any Permitted Tax Distributions made to pay any such transfer or similar taxes); and (d) reserves for indemnities in connection with any applicable Asset Disposition, until such reserves are no longer needed.

NOLV Percentage: the net orderly liquidation value of Inventory, expressed as a percentage, expected to be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses, as determined from the most recent appraisal of Borrowers' Inventory performed by an appraiser and on terms satisfactory to Agent in its Permitted Discretion.

Notice of Borrowing: a request by Borrower Agent for a Borrowing of Revolver Loans, in form satisfactory to Agent.

Notice of Conversion/Continuation: a request by Borrower Agent for conversion or continuation of a Loan as a LIBOR Loan, in form satisfactory to Agent.

Obligations: all (a) principal of and premium, if any, on the Loans, (b) LC Obligations and other obligations of Obligors with respect to Letters of Credit, (c) interest, expenses, fees, indemnification obligations, Extraordinary Expenses and other amounts payable by Obligors under Loan Documents, (d) Secured Bank Product Obligations, and (e) other Debts, obligations and liabilities of any kind owing by Obligors pursuant to the Loan Documents, whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any Insolvency Proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several; provided, that Obligations of an Obligor shall not include its Excluded Swap Obligations.

Obligor: each Borrower, Holdings and each other Guarantor.

OFAC: Office of Foreign Assets Control of the U.S. Treasury Department.

Ordinary Course of Business: the ordinary course of business of any Obligor or Subsidiary, undertaken in good faith and consistent with Applicable Law and past practices.

Organic Documents: with respect to any Person, its charter, certificate or articles of incorporation or formation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

OSHA: the Occupational Safety and Hazard Act of 1970.

Other Agreement: each LC Document, Guaranty, fee letter (including the Fee Letter), Assumption Agreement, Lien Waiver, Intercreditor Agreement, Real Estate Related Document, Borrowing Base Report, Compliance Certificate, Borrower Materials, or other note, document, instrument or agreement (other than this Agreement or a Security Document) now or hereafter delivered by an Obligor or other Person to Agent or a Lender in connection with any transactions relating hereto. For the avoidance of doubt, neither the Purchase Agreement nor any agreements, documents or instruments for Bank Products are (and shall not be deemed to be) an Other Agreement.

Other Connection Taxes : Taxes imposed on a Recipient due to a present or former connection between it and the taxing jurisdiction (other than connections arising from the Recipient having executed, delivered, become party to, performed obligations or received payments under, received or perfected a Lien or engaged in any other transaction pursuant to, enforced, or sold or assigned an interest in, any Loan or Loan Document).

Other Taxes: all present or future stamp, court, documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a Lien under, or otherwise with respect to, any Loan Document, except Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to **Section 13.4(c)**).

Overadvance: as defined in **Section 2.1.5**.

Overadvance Loan: a Base Rate Revolver Loan made when an Overadvance exists or is caused by the funding thereof.

Participant: as defined in **Section 13.2**.

Patriot Act: the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

Payment Item: each check, draft or other item of payment payable to an Obligor, including those constituting proceeds of any Collateral.

PBGC: the Pension Benefit Guaranty Corporation.

Pension Funding Rules: Code and ERISA rules regarding minimum required contributions (including installment payments) to Pension Plans set forth in, for plan years ending prior to the Pension Protection Act of 2006 effective date, Section 412 of the Code and Section 302 of ERISA, both as in effect prior to such act, and thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

Pension Plan: any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Obligor or ERISA Affiliate or to which the Obligor or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

Permitted Acquisition: any Acquisition by an Obligor (other than Holdings) or a Subsidiary as long as (a) the Specified Transaction Conditions are satisfied in connection therewith; (b) the Acquisition is consensual; (c) the assets, business or Person being acquired is useful or engaged in the business of Obligors and Subsidiaries or reasonably related thereto, is located or organized within the United States, and had pro forma positive EBITDA for the 12 month period most recently ended; (d) no Debt or Liens are assumed or incurred, except as permitted by **Sections 10.2.1(f)**, **10.2.1(i)** and **10.2.2(j)**; (e) Agent, on behalf of the Secured Parties, shall have received (or shall receive in connection with the closing of such Acquisition) a perfected security interest (having the priority set forth in the Intercreditor Agreement) in all Property (including, without limitation, Equity Interests) acquired with respect to Person being acquired in accordance with the terms hereof; (f) such Acquisition shall be permitted under the Term Loan Facility; and (g) Borrower Agent delivers to Agent, at least ten Business Days prior to the Acquisition, copies of all draft material agreements relating thereto and a certificate, in form and substance reasonably satisfactory to Agent, stating that the Acquisition is a "Permitted Acquisition" and demonstrating compliance with the foregoing requirements, and on the date that is at least three days prior (or such shorter period agreed to in writing by Agent in its sole discretion) to the Acquisition, copies of all material documents in final form.

Permitted Affiliate Sub Debt: (x) Debt of Holdings to a Related Party and (y) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to a Related Party, Debt of the Borrower Agent to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

Permitted Asset Disposition: an Asset Disposition that is (a) a sale or lease of Inventory in the Ordinary Course of Business; (b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from an Obligor's default; (c) a lease or sublease of Real Estate in the Ordinary Course of Business; (d) a license or sublicense of Intellectual Property (including, without limitation, any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business; (e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term; (f) Asset Dispositions of Cash Equivalents in the Ordinary Course of Business, (g) Asset Dispositions of Property among the Obligors (other than Holdings), (h) dividends, distributions and payments by the Obligors, in each case solely to the extent expressly permitted by this Agreement, (i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due, (j) approved in writing by Agent and Required Lenders, (k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days with another asset useful in the Obligors' business (so long as Agent has a first priority and perfected Lien on any newly-acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than Accounts or Inventory) that, in the aggregate during any 12 fiscal month period, has a fair market or book value (whichever is more) of $1,000,000 or less, or (iii) Asset Dispositions of Property (other than Accounts or Inventory) that is obsolete or no longer used or useful in the business or Inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business, (l) replacement of Equipment that is worn, damaged or obsolete with Equipment of like function and value, if the replacement Equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Agent) and is free of Liens other than Permitted Liens, (m) a sale or disposition of the Colorado Property so long as (i) no Default or Event of Default exists or results therefrom, (ii) 100% of the consideration received from such sale or disposition is in the form of cash and (iii) the purchase price of such sale or disposition is for at least fair market value or (n) a Permitted Colorado Property Sale-Leaseback.

Permitted Contingent Obligations: Contingent Obligations (a) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business; (b) arising from Hedging Agreements permitted hereunder; (c) existing on the Closing Date, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed; (d) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations; (e) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Property permitted hereunder; (f) arising under the Loan Documents; (g) arising under the Term Loan Documents to the extent permitted by the Term Loan Facility and the Intercreditor Agreement; (h) arising as a result of an unsecured Guaranty by Holdings of the Debt, Real Estate lease or other obligation of an Obligor permitted by this Agreement (provided, that if any such Debt, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to Agent and the Lenders as compared to the subordination terms applicable to such Debt, lease or other obligations); or (i) in an aggregate amount of $2,000,000 or less at any time.

Permitted Discretion: a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured, asset-based lender).

Permitted Distributions: Each and all of the following Distributions:

(a) so long as no Default or Event of Default shall be continuing or result therefrom, any Subsidiary of Holdings or any Borrower may make distributions to Holdings to pay and Holdings may pay, or any Borrower or any Subsidiary may pay on behalf of itself or Holdings, (x) on a quarterly basis the annual management fees to the Managers pursuant to the Management Agreements plus (y) the amount of any accrued management fees from prior periods payable pursuant to the Management Agreements; provided that the aggregate amount of such fees pursuant to **clause (x)** shall not exceed $850,000 per Fiscal Year;

(b) any Specified Distributions; and

(c) Permitted Tax Distributions. Permitted Lien: as defined in **Section 10.2.2**.

Permitted Purchase Money Debt: Purchase Money Debt of Obligors and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount does not exceed $1,000,000 at any time and its incurrence does not violate **Section 10.2.3**.

Permitted Colorado Property Sale -Leaseback: means a sale-leaseback transaction consummated by Obligors with respect to the Colorado Property so long as (i) such sale-leaseback transaction is consummated on or prior to the date that is six (6) months following the Closing Date, (ii) no Default or Event of Default exists on the date of the consummation of such sale-leaseback transaction or would result therefrom, and (iii) such sale-leaseback is permitted under the Term Loan Facility.

Permitted Tax Distributions: with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and Holdings is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm to Holdings (which Holdings may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income of Holdings for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests in Holdings is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to **clause (x)(ii)(b)** above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of Holdings allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Obligor (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of Holdings or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Obligor pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of Holdings (to the extent Holdings reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

Person: any individual, corporation, limited liability company, partnership, joint venture, association, trust, unincorporated organization, Governmental Authority or other entity.

Plan: an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of an Obligor or ERISA Affiliate, or to which an Obligor or ERISA Affiliate is required to contribute on behalf of its employees.

Platform: as defined in **Section 14.3.3**.

Pledge Agreement: the Pledge Agreement dated as of the date hereof by the Obligors in favor of Agent, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

Prime Rate: the rate of interest announced by Bank of America from time to time as its prime rate. Such rate is set by Bank of America on the basis of various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate. Any change in such rate publicly announced by Bank of America shall take effect at the opening of business on the day specified in the announcement.

Pro Forma Basis: with respect to compliance with any financial performance test hereunder for the applicable period, in respect of any Pro Forma Specified Transaction, the making of such calculation after giving pro forma effect to:

(a) the consummation of such Pro Forma Specified Transaction as of the first day of the applicable period, as if such Pro Forma Specified Transaction had been consummated on the first day of such period;

(b) the assumption, incurrence or issuance of any Debt by Holdings or any of its Subsidiaries (including any Person which becomes a Subsidiary pursuant to or in connection with such Pro Forma Specified Transaction) in connection with such Pro Forma Specified Transaction, as if such Debt had been assumed, incurred or issued (and the proceeds thereof applied) on the first day of such Test Period (with any such Indebtedness bearing interest during any portion of the applicable Test Period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness incurred during such period);

(c) the costs and expenses of any target that have not been assumed by Holdings or any of its Subsidiaries shall be disregarded to the extent such costs and expenses are reasonably identifiable, factually supportable and certified by a Senior Officer of Borrower Agent, and any (i) cost and expenses of any such target that have been assumed in any Pro Forma Specified Transaction and (ii) incremental recurring costs and expenses incurred in connection with any Pro Forma Specified Transaction shall, in the case of each of **clauses (i)** and **(ii)** be calculated as if such costs and expenses were assumed on the first day of such period; and

(d) with respect to any Permitted Colorado Property Sale-Leaseback, the incurrence of any lease, rental or other payment obligations by Holdings or any of its Subsidiaries in connection with such Permitted Colorado Property Sale-Leaseback, as if such lease, rental or other payment obligations had been incurred on the first date of such period (and as if such payments had been paid during such period);

with **clauses (a)** through **(d)** calculated in a manner consistent with GAAP and the definition of EBITDA and subject to, the limitations set forth in the definition of EBITDA, including adjustments for restructuring charges or reserves and non-recurring integration costs.

Pro Forma Specified Transaction: means any Investment (including any Acquisition), Asset Disposition (including, without limitation, any Permitted Colorado Property Sale-Leaseback), incurrence or repayment of Debt or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a "Pro Forma Basis".

Pro Rata: with respect to any Lender, a percentage (rounded to the ninth decimal place) determined (a) by dividing the amount of such Lender's Revolver Commitment by the aggregate outstanding Revolver Commitments; or (b) following termination of the Revolver Commitments, by dividing the amount of such Lender's Loans and LC Obligations by the aggregate outstanding Loans and LC Obligations or, if all Loans and LC Obligations have been Paid in Full and/or Cash Collateralized, by dividing such Lender's and its Affiliates' remaining Obligations by the aggregate remaining Obligations.

Properly Contested: with respect to any obligation of an Obligor, (a) the obligation is subject to a bona fide dispute regarding amount or the Obligor's liability to pay; (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; (c) appropriate reserves have been established in accordance with GAAP; (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Obligor; (e) no Lien is imposed on assets of the Obligor, unless bonded and stayed to the satisfaction of Agent; and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

Property: any interest in any kind of property or asset, whether Real Estate, personal or mixed, or tangible or intangible.

Protective Advances: as defined in **Section 2.1.6**.

Purchase Agreement: that certain Securities Purchase Agreement dated as of the Closing Date by and among Holdings, Hydrofarm, Hydrofarm, Inc. Employee Stock Ownership Plan and Trust and the Wardenburg 2009 Family Trust, as the same may be amended, supplemented and otherwise modified from time to time in accordance with the terms hereof.

Purchase Money Debt : (a) Debt (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets; (b) Debt (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof; and (c) any renewals, extensions or refinancings (but not increases) thereof.

Purchase Money Lien: a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Debt and constituting a Capital Lease or a purchase money security interest under the UCC.

Qualified ECP: an Obligor with total assets exceeding $10,000,000, or that constitutes an "eligible contract participant" under the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" under Section 1a(18)(A)(v)(II) of such act.

Qualified Equity Interests: Equity Interests not constituting Disqualified Equity Interests.

RCRA: the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901-6991i).

Real Estate: all right, title and interest (whether as owner, lessor or lessee) in any real Property or any buildings, structures, parking areas or other improvements thereon.

Real Estate Term Note: that certain Real Estate Term Note, dated September 18, 2014 between WJCO and Wells Fargo Bank, National Association, as in effect of the Closing Date.

Recipient: Agent, Issuing Bank, any Lender or any other recipient of a payment to be made by an Obligor under a Loan Document or on account of an Obligation.

Refinancing Conditions: the following conditions (a) for Refinancing Debt (other than with respect to the extending, renewing or refinancing of Debt arising under the Term Loan Facility): (i) it is in an aggregate principal amount that does not exceed the principal amount of the Debt being extended, renewed or refinanced; (ii) it has a final maturity no sooner than, a weighted average life no less than, and an interest rate no greater than, the Debt being extended, renewed or refinanced; (iii) it is subordinated to the Obligations at least to the same extent as the Debt being extended, renewed or refinanced; (iv) the representations, covenants and defaults applicable to it are no less favorable to Borrowers than those applicable to the Debt being extended, renewed or refinanced; (v) no additional Lien is granted to secure it; (vi) no additional Person is obligated on such Debt; and (vii) upon giving effect to it, no Default or Event of Default exists; or (b) for Refinancing Debt that is extending, renewing or refinancing Debt arising under the Term Loan Facility, such Debt is extended, renewed or refinanced in accordance with and to the extent permitted by the terms and provisions of the Intercreditor Agreement.

Refinancing Debt: Borrowed Money that is the result of an extension, renewal or refinancing of Debt permitted under **Section 10**.**2**.**1(b)**, **(d)**, **(f)** or **(h)**.

Reimbursement Date: as defined in **Section 2.3.2**.

Related Agreements: the Purchase Agreement, the Management Agreements and all agreements, instruments and documents executed or delivered in connection therewith.

Related Parties: the Sponsor or any of Holdings' other equity holders as of the Closing Date and, in each case, their Controlled Investment Affiliates.

Related Real Estate Documents: with respect to any Real Estate subject to a Mortgage, the following, in form and substance satisfactory to Agent and received by Agent for review at least 30 days prior to the effective date of the Mortgage: (a) a mortgagee title policy (or proforma therefor) covering Agent's interest under the Mortgage, by an insurer acceptable to Agent, which must be fully paid on such effective date; (b) such assignments of leases, estoppel letters, attornment agreements, consents, waivers and releases as Agent may require with respect to other Persons having an interest in the Real Estate; (c) a current, as-built survey of the Real Estate, containing a valid legal description and certified by a licensed surveyor acceptable to Agent; (d) flood hazard information requested by any Lender as needed for a life -of-loan flood hazard determination and, if the Real Estate is located in a special flood hazard zone, flood insurance documentation (including an acknowledged notice to borrower and real property and contents flood insurance acceptable to Agent) in accordance with the Flood Disaster Protection Act or otherwise satisfactory to each Lender; (e) a current appraisal of the Real Estate, prepared by an appraiser acceptable to Agent, and in form and substance satisfactory to Required Lenders; (f) an environmental assessment, prepared by environmental engineers acceptable to Agent, and such other reports, certificates, studies or data as Agent may require, all in form and substance satisfactory to Required Lenders; and (g) an Environmental Agreement and such other documents, instruments or agreements as Agent may require with respect to any environmental risks regarding the Real Estate.

Rent and Charges Reserve: the aggregate of (a) all past due rent and other amounts owing by an Obligor to any landlord, warehouseman, processor, repairman, mechanic, shipper, freight forwarder, broker or other Person who possesses any ABL Priority Collateral or could assert a Lien on any ABL Priority Collateral; and (b) a reserve at least equal to three months rent and other charges that could be payable to any such Person, unless it has executed a Lien Waiver.

Report: as defined in **Section 12.2.3**.

Reportable Event: any event set forth in Section 4043(c) of ERISA, other than an event for which the 30 day notice period has been waived.

Reporting Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs, or (ii) Availability is at any time less than 15.0% of the Revolving Commitment for at least five (5) consecutive Business Days; and (b) continuing until, during each of the preceding thirty (30) consecutive days, no Event of Default has existed and Availability has been greater than 15.0% of the Revolving Commitment.

Required Lenders: two or more unaffiliated Secured Parties holding more than 50% of (a) the aggregate outstanding Revolver Commitments; or (b) following termination of the Revolver Commitments, the aggregate outstanding Loans and LC Obligations or, if all Loans and LC Obligations have been Paid in Full, the aggregate remaining Obligations; provided, however, that Commitments, Loans and other Obligations held by a Defaulting Lender and its Affiliates shall be disregarded in making such calculation, but any related Fronting Exposure shall be deemed held as a Loan or LC Obligation by the Secured Party that funded the applicable Loan or issued the applicable Letter of Credit.

Restricted Investment: any Investment by an Obligor or Subsidiary, other than (a) Investments in Subsidiaries to the extent existing on the Closing Date; (b) Cash Equivalents that are subject to Agent's Lien and control, pursuant to documentation in form and substance satisfactory to Agent; (c) loans and advances permitted under **Sections 10.2.1** and **10**.**2**.**7**; (d) Permitted Acquisitions; (e) Investments consisting of bank deposits in the Ordinary Course of Business; (f) Investments consisting of contributions of capital or asset transfers to Borrowers or Guarantors, so long as no Change of Control occurs as a result thereof; (g) Investments by way of Loans permitted by **Section 10.2.7**; (h) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts; (i) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby; (j) the Closing Date Acquisition, (k) other Investments by an Obligor or Subsidiary (including Investments by a Obligor or Subsidiary in Foreign Subsidiaries) so long as (x) no Default or Event of Default exists at the time such Investment is made or results therefrom and (y) the aggregate amount of all such Investments made pursuant to this **clause (k)** does not exceed $3,000,000 at any one time outstanding and (l) additional Investments that are not Acquisitions so long as the Specified Transaction Conditions are satisfied in connection therewith.

Restrictive Agreement: an agreement (other than a Loan Document) that conditions or restricts the right of any Borrower, Subsidiary or other Obligor to incur or repay Borrowed Money, to grant Liens on any assets, to declare or make Distributions, to modify, extend or renew any agreement evidencing Borrowed Money, or to repay any intercompany Debt.

Revolver Commitment: for any Lender, its obligation to make Revolver Loans and to participate in LC Obligations up to the maximum principal amount shown on **Schedule 1.1**, as hereafter modified pursuant to **Section 2.1.4** or an Assignment and Acceptance to which it is a party. "Revolver Commitments" means the aggregate amount of such commitments of all Lenders.

Revolver Loan: a loan made pursuant to **Section 2**.**1** (including, without limitation, any FILO Loan), and any Swingline Loan, Overadvance Loan or Protective Advance.

Revolver Termination Date: February 10, 2022; provided, however, that, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

Revolver Usage: (a) the aggregate amount of outstanding Revolver Loans; plus (b) the aggregate Stated Amount of outstanding Letters of Credit, except to the extent Cash Collateralized by Borrowers.

Royalties: all royalties, fees, expense reimbursement and other amounts payable by an Obligor under a License.

S&P : Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor acceptable to Agent.

Sanction: any sanction administered or enforced by the U.S. Government (including OFAC), United Nations Security Council, European Union, Her Majesty's Treasury or other sanctions authority.

Secured Bank Product Obligations: Debt, obligations and other liabilities with respect to Bank Products owing by an Obligor or Affiliate of an Obligor to a Secured Bank Product Provider; provided, that Secured Bank Product Obligations of an Obligor shall not include its Excluded Swap Obligations.

Secured Bank Product Provider: (a) Bank of America or any of its Affiliates; and (b) any other Lender or Affiliate of a Lender that is providing a Bank Product, provided such provider delivers written notice to Agent, in form and substance satisfactory to Agent, within 10 days following the later of the Closing Date or creation of the Bank Product, (i) describing the Bank Product and setting forth the maximum amount to be secured by the Collateral and the methodology to be used in calculating such amount, and (ii) agreeing to be bound by **Section 12.13**.

Secured Parties: Agent, Issuing Bank, Lenders and Secured Bank Product Providers.

Security Documents: the Guaranties, Pledge Agreement, Mortgages, IP Security Agreements, Deposit Account Control Agreements, Insurance Assignment and all other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) any Obligations.

Senior Officer: the chairman of the board, president, chief executive officer or chief financial officer of a Borrower or, if the context requires, an Obligor.

Settlement Report: a report summarizing Revolver Loans and participations in LC Obligations outstanding as of a given settlement date, allocated to Lenders on a Pro Rata basis in accordance with their Revolver Commitments.

Solvent: as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities); (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured; (c) is able to pay all of its debts as they mature; (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage; (e) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code; and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

Specified Distributions: dividend and distribution payments made by the Obligors (other than Holdings) to Holdings, for further concurrent distribution to the members of Holdings (other than distributions or dividends permitted pursuant to **clause (a)** or **(c)** of the definition of Permitted Distributions), in each case subject to the satisfaction of the Specified Transaction Conditions.

Specified Acquisition Agreement Representations : such of the representations and warranties made by or in respect of Hydrofarm, the Acquired Company (as defined in the Purchase Agreement), the Seller (as defined in the Purchase Agreement), the Stockholders (as defined in the Purchase Agreement) or any of their Subsidiaries or Affiliates, in each case, set forth in the Purchase Agreement, but only to the extent that the Initial Borrower (or any of its Affiliates) has the right to terminate its obligations to consummate the Closing Date Acquisition under the Purchase Agreement (or the right to not consummate the Closing Date Acquisition pursuant to the Purchase Agreement) (in each case, in accordance with the terms thereof) as a result of a breach of such representations and warranties in the Purchase Agreement (determined without regard to whether any notice is required to be delivered under the Purchase Agreement).

"Specified Representations" means the representations and warranties of Obligors in **Sections 2.1.3**, **9.1.1** (solely with respect to the first and the third sentences thereof), **9.1.2**, **9.1.3**, **9.1.5** (solely with respect to the last sentence thereof), **9.1.7** (solely with respect to the last sentence thereof), **9.1.9**, **9.1.13** (solely with respect to the first and the second sentences thereof), **9.1.16(a)**, **9.1.22**, **9.1.23**, **9.1.24**, **9.1.25**, **9.1.26** (solely with respect to the consummation of the transactions contemplated by the Purchase Agreement being not in violation of any statute, regulation, order, judgment or decree), **9.1.28** and **9.1.29**.

Specified Transaction Conditions: with respect to any Specified Transaction, both before and after giving pro forma effect to any such Specified Transaction, either of the following is true: (a) (i) no Default or Event of Default has occurred and is continuing or would result therefrom, (ii) Availability is at least equal to 15.0% of the Revolving Commitment for each of the 30 days preceding and as of the date of such Specified Transaction and (iii) the Fixed Charge Coverage Ratio calculated both before and, on a Pro Forma Basis, after giving pro forma effect to such Specified Transaction is not less than 1.0 to 1.0, whether or not a Financial Covenant Trigger Period exists or (b) (i) no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) Availability is at least equal to 20.0% of the Revolving Commitment for each of the 30 days preceding and as of the date of such Specified Transaction.

Specified Transactions: (a) Specified Distributions, (b) payments of Debt pursuant to and in accordance with **Section 10.2.8(b)(ii)**, (c) payments of Debt pursuant to and in accordance with **Section 10.2.8(d)(iii)**, (d) Investments made pursuant to and in accordance with **clause (l)** of the definition of Restricted Investments, and (e) Permitted Acquisitions.

Specified Obligor: an Obligor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to **Section 5.11**).

Sponsor: Hawthorn Equity Partners and its Controlled Investment Affiliates.

Stated Amount: the outstanding amount of a Letter of Credit, including any automatic increase or tolerance (whether or not then in effect) provided by the Letter of Credit or related LC Documents.

Subordinated Debt: (a) any Permitted Affiliate Sub Debt and (b) any other Debt incurred by an Obligor that (i) is unsecured, (ii) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its Permitted Discretion, (iii) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (iv) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (v) does not contain any financial covenants, (vi) is not cross-defaulted (but may be cross -accelerated) to the Loan Documents, (vii) is subject to permanent standstill provisions, and (viii) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to Agent.

Subsidiary: any entity at least 50% of whose voting securities or Equity Interests is owned by a Borrower or combination of Borrowers (including indirect ownership through other entities in which a Borrower directly or indirectly owns 50% of the voting securities or Equity Interests).

SunBlaster: as defined in the preamble to this Agreement.

Swap Obligations : with respect to an Obligor, its obligations under a Hedging Agreement that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Swingline Loan: any Borrowing of Base Rate Revolver Loans funded with Agent's funds, until such Borrowing is settled among Lenders or repaid by Borrowers.

Taxes: all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

Term Loan: the "Term Loan" made pursuant to and as defined in the Term Loan Facility or any equivalent term used to describe the term loans made thereunder and in connection therewith.

Term Loan Agent: means Brightwood Loan Services LLC, in its capacity as administrative agent under the Term Loan Facility, and its successors and assigns.

Term Loan Documents: has the meaning assigned to the term "Term Loan Documents" in the Intercreditor Agreement.

Term Loan Facility: (i) that certain Credit Agreement, dated as of the date hereof, as may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, among the Obligors, the Term Loan Agent, the Term Loan Lenders, and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Debt or other financial accommodation that has been incurred to increase, extend (subject to the limitations set forth herein and in the Intercreditor Agreement), replace or refinance in whole or in part the Debt and other obligations outstanding under (x) the credit agreement referred to in **clause (i)** or (y) any subsequent credit agreement, unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Term Loan Facility hereunder shall be deemed a reference to any Term Loan Facility then in existence.

Term Loan Lenders: has the meaning assigned to the term "Term Loan Lenders" in the Intercreditor Agreement.

Term Loan Obligations: shall mean the "Obligations" as such term is defined in the Term Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

Term Loan Priority Collateral: has the meaning assigned to such term in the Intercreditor Agreement.

Transactions: collectively, (a) the execution, delivery and performance by each Obligor of the Loan Documents to which such Obligor is a party and the borrowing of the initial Revolver Loans hereunder and the use of proceeds thereof in accordance with the terms hereof, (b) the execution, delivery and performance by each Obligor of the Term Loan Documents to which such Obligor is a party and, in the case of the borrower under the Term Loan Documents, the making of the borrowing of the Terms Loans thereunder and the use of proceeds thereof in accordance with the terms thereof, (c) the execution, delivery and performance by Holdings of the Purchase Agreement and the other acquisition documents entered into in connection therewith and the consummation of the transactions contemplated thereby, (d) the consummation of the Closing Equity Contribution, (e) the execution and delivery of the Assumption Agreement and the consummation of the transactions contemplated thereby, including the assumption by the Borrowers of the obligations of the Initial Borrower hereunder, and (f) the payment of fees and expenses related to the foregoing.

Transferee: any actual or potential Eligible Assignee, Participant or other Person acquiring an interest in any Obligations.

UCC : the Uniform Commercial Code as in effect in the State of New York or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code of such jurisdiction.

Unfunded Pension Liability: the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to the Code, ERISA or the Pension Protection Act of 2006 for the applicable plan year.

Unfinanced Capital Expenditures: all Capital Expenditures except those financed with Borrowed Money other than Revolver Loans.

Unused Line Fee Rate: a per annum rate equal to 0.375%.

U.S. Person: "United States Person" as defined in Section 7701(a)(30) of the Code.

U.S. Tax Compliance Certificate: as defined in **Section 5.10.2(b)(iii)**.

Value: (a) for Inventory, its value determined on the basis of the lower of cost or market, calculated on a first-in, first-out basis, and excluding any portion of cost attributable to intercompany profit among Borrowers and their Affiliates; and (b) for an Account, its face amount, net of any returns, rebates, discounts (calculated on the shortest terms), credits, allowances or Taxes (including sales, excise or other taxes) that have been or could be claimed by the Account Debtor or any other Person.

WJCO: as defined in the preamble to this Agreement.

Write-Down and Conversion Powers: the write-down and conversion powers of the applicable EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which powers are described in the EU Bail-In Legislation Schedule.

**1.2. Accounting Terms**. Under the Loan Documents (except as otherwise specified therein), all accounting terms shall be interpreted, all accounting determinations shall be made, and all financial statements shall be prepared, in accordance with GAAP applied on a basis consistent with the most recent audited financial statements of Borrowers delivered to Agent before the Closing Date and using the same inventory valuation method as used in such financial statements, except for any change required or permitted by GAAP (including any Accounting Changes (as defined below) if Borrowers' certified public accountants concur in such change, the change is disclosed to Agent, and all relevant provisions of the Loan Documents are amended in a manner satisfactory to Required Lenders to take into account the effects of the change. Until such time as such an amendment shall have been executed and delivered by the Borrowers, the Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Public Company Accounting Oversight Board, the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the Securities and Exchange Commission (or successors thereto or agencies with similar functions).

**1.3. Uniform Commercial Code**. As used herein, the following terms are defined in accordance with the UCC in effect in the State of New York from time to time: "Account," "Account Debtor," "Chattel Paper," "Commercial Tort Claim," "Deposit Account," "Document," "Equipment," "General Intangibles," "Goods," "Instrument," "Investment Property," "Letter-of-Credit Right" and "Supporting Obligation."

**1.4.** **Certain Matters of Construction**. The terms "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, "from" means "from and including," and "to" and "until" each mean "to but excluding." The terms "including" and "include" shall mean "including, without limitation" and, for purposes of each Loan Document, the parties agree that the rule of *ejusdem generis* shall not be applicable to limit any provision. Section titles appear as a matter of convenience only and shall not affect the interpretation of any Loan Document. All references to (a) laws include all related regulations, interpretations, supplements, amendments and successor provisions; (b) any document, instrument or agreement include any amendments, waivers and other modifications, extensions or renewals (to the extent permitted by the Loan Documents); (c) any section mean, unless the context otherwise requires, a section of this Agreement; (d) any exhibits or schedules mean, unless the context otherwise requires, exhibits and schedules attached hereto, which are hereby incorporated by reference; (e) any Person include successors and assigns; (f) time of day mean time of day at Agent's notice address under **Section 14.3.1**; (g) discretion of Agent, Issuing Bank or any Lender mean the sole and absolute discretion of such Person; or (h) except as otherwise set forth herein, in the determination of any date required for performance or deliveries, if such date is calculated to be a date other than a Business Day, such delivery or performance shall be due on the next succeeding Business Day. All references to Value, Borrowing Base components, Loans, Letters of Credit, Obligations and other amounts herein shall be denominated in Dollars, unless expressly provided otherwise, and all determinations (including calculations of Borrowing Base and financial covenants) made from time to time under the Loan Documents shall be made in light of the circumstances existing at such time. Borrowing Base calculations shall be consistent with historical methods of valuation and calculation, and otherwise satisfactory to Agent (and not necessarily calculated in accordance with GAAP). Borrowers shall have the burden of establishing any alleged negligence, misconduct or lack of good faith by Agent, Issuing Bank or any Lender under any Loan Documents. No provision of any Loan Documents shall be construed against any party by reason of such party having, or being deemed to have, drafted the provision. Reference to a Borrower's "knowledge" or similar concept means actual knowledge of a Senior Officer, or knowledge that a Senior Officer would have obtained if he or she had engaged in good faith and diligent performance of his or her duties, including reasonably specific inquiries of employees or agents and a good faith attempt to ascertain the matter. With respect to the delivery of any projection or other forecasts, Agent, Issuing Bank and Lenders hereby acknowledge that (i) such information is forward looking and uncertain in nature, (ii) no assurances or representations or warranties may be made or given that such projections or forecasts will be achieved, and (iii) actual results might vary and any such variance might be material.

**1.5.** **Currency Equivalents**. All references in the Loan Documents to Loans, Letters of Credit, Obligations, Borrowing Base components and other amounts shall be denominated in Dollars, unless expressly provided otherwise. The Dollar equivalent of any amounts denominated or reported under a Loan Document in a currency other than Dollars shall be determined by Agent on a daily basis, based on the current Spot Rate. Borrowers shall report Value and other Borrowing Base components to Agent in the currency invoiced by Borrowers (for Accounts) or shown in Borrowers' financial records (for all other assets), and unless expressly provided otherwise, shall deliver financial statements and calculate financial covenants in Dollars. Notwithstanding anything herein to the contrary, if an Obligation is funded or expressly denominated in a currency other than Dollars, Borrowers shall repay such Obligation in such other currency.

1.5.2 Judgments. If, in connection with obtaining judgment in any court, it is necessary to convert a sum from the currency provided under a Loan Document (" Agreement Currency") into another currency, the Spot Rate shall be used as the rate of exchange. Notwithstanding any judgment in a currency ("Judgment Currency") other than the Agreement Currency, a Borrower shall discharge its obligation in respect of any sum due under a Loan Document only if, on the Business Day following receipt by Agent of payment in the Judgment Currency, Agent can use the amount paid to purchase the sum originally due in the Agreement Currency. If the purchased amount is less than the sum originally due, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify Agent and Lenders against such loss. If the purchased amount is greater than the sum originally due, Agent shall return the excess amount to such Borrower (or to the Person legally entitled thereto).

**SECTION 2. CREDIT FACILITIES**

**2.1. Revolver Commitment**.

2.1.1 Revolver Loans. Each Lender agrees, severally on a Pro Rata basis up to its Revolver Commitment, on the terms set forth herein, to make Revolver Loans to Borrowers from time to time through the Commitment Termination Date. The Revolver Loans may be repaid and reborrowed as provided herein. In no event shall Lenders have any obligation to honor a request for a Revolver Loan if Revolver Usage at such time plus the requested Loan would exceed the Borrowing Base. Notwithstanding anything to the contrary contained herein and so long as the FILO Availability Amount is in effect, it is understood and agreed that all Revolver Loans shall be deemed to be made first based on the FILO Availability Amount (to the extent any such amount is available) prior to any other component of the Borrowing Base (such Revolver Loans made based on the FILO Availability Amount being referred to herein as, "FILO Loans").

2.1.2 Notes. Loans and interest accruing thereon shall be evidenced by the records of Agent and the applicable Lender. At the request of a Lender, Borrowers shall deliver promissory note(s) to such Lender, evidencing its Loans.

2.1.3 Use of Proceeds. The proceeds of Revolver Loans and the Closing Equity Contribution shall be used by Borrowers solely (a) to refinance or pay in full, as applicable, certain existing Debt (including, without limitation, payment in full of Debt in connection with the Existing Debt Agreements); (b) to pay fees and transaction expenses associated with the closing of this credit facility, the Term Loan and the Closing Date Acquisition and with the foregoing; (c) to pay Obligations in accordance with this Agreement; and (d) for lawful corporate purposes of Borrowers, including working capital, Permitted Acquisitions and Capital Expenditures. Borrowers shall not, directly or indirectly, use any Letter of Credit or Loan proceeds, nor use, lend, contribute or otherwise make available any Letter of Credit or Loan proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of issuance of the Letter of Credit or funding of the Loan, is the subject of any Sanction; (ii) in any manner that would result in a violation of a Sanction by any Person (including any Secured Party or other individual or entity participating in a transaction); or (iii) for any purpose that would breach the U.S. Foreign Corrupt Practices Act of 1977, UK Bribery Act 2010 or similar law in any jurisdiction.

2.1.4 Voluntary Reduction or Termination of Revolver Commitments.

(a) The Revolver Commitments shall terminate on the Revolver Termination Date, unless sooner terminated in accordance with this Agreement. Upon at least 10 days prior written notice to Agent, Borrowers may, at their option, terminate the Revolver Commitments and this credit facility. Any notice of termination given by Borrowers shall be irrevocable. On the termination date, Borrowers shall make Full Payment of all Obligations.

(b) Borrowers may permanently reduce the Revolver Commitments, on a ratable basis for all Lenders, upon at least 90 days prior written notice to Agent, which notice shall specify the amount of the reduction and shall be irrevocable once given. Each reduction shall be in a minimum amount of $5,000,000, or an increment of $1,000,000 in excess thereof.

2.1.5 Overadvances. If Revolver Usage exceeds the Borrowing Base ("Overadvance") at any time, the excess shall be payable by Borrowers **on demand** by Agent and shall constitute an Obligation secured by the Collateral, entitled to all benefits of the Loan Documents. Agent may require Lenders to fund Base Rate Revolver Loans that cause or constitute an Overadvance and to forbear from requiring Borrowers to cure an Overadvance, as long as the total Overadvance does not exceed ten (10)% of the Borrowing Base and does not continue for more than 30 consecutive days without the consent of Required Lenders. In no event shall Overadvance Loans be required that would cause Revolver Usage to exceed the aggregate Revolver Commitments. Any funding of an Overadvance Loan or sufferance of an Overadvance shall not constitute a waiver by Agent or Lenders of the Event of Default caused thereby. In no event shall any Borrower or other Obligor be deemed a beneficiary of this Section nor authorized to enforce any of its terms.

2.1.6 Protective Advances. Agent shall be authorized, in its discretion, at any time that any conditions in **Section 6** are not satisfied, to make Base Rate Revolver Loans ("Protective Advances") (a) up to an aggregate amount of ten (10)% of the Borrowing Base outstanding at any time, if Agent deems such Loans necessary or desirable to preserve or protect Collateral, or to enhance the collectability or repayment of Obligations, as long as such Loans do not cause Revolver Usage to exceed the aggregate Revolver Commitments; or (b) to pay any other amounts chargeable to Obligors under any Loan Documents, including interest, costs, fees and expenses. Lenders shall participate on a Pro Rata basis in Protective Advances outstanding from time to time. Required Lenders may at any time revoke Agent's authority to make further Protective Advances under clause (a) by written notice to Agent. Absent such revocation, Agent's determination that funding of a Protective Advance is appropriate shall be conclusive.

**2.2. [Reserved]. Letter of Credit Facility**.

2.3.1 Issuance of Letters of Credit. Issuing Bank shall issue Letters of Credit from time to time until thirty (30) Days prior to the Revolver Termination Date (or until the Commitment Termination Date, if earlier), on the terms set forth herein, including the following:

(a) Each Borrower acknowledges that Issuing Bank's issuance of any Letter of Credit is conditioned upon Issuing Bank's receipt of a LC Application with respect to the requested Letter of Credit, as well as such other instruments and agreements as Issuing Bank may customarily require for issuance of a letter of credit of similar type and amount. Issuing Bank shall have no obligation to issue any Letter of Credit unless (i) Issuing Bank receives a LC Request and LC Application at least three Business Days prior to the requested date of issuance; (ii) each LC Condition is satisfied; and (iii) if a Defaulting Lender exists, such Lender or Borrowers have entered into arrangements satisfactory to Agent and Issuing Bank to eliminate any Fronting Exposure associated with such Lender. If, in sufficient time to act, Issuing Bank receives written notice from Agent or Required Lenders that a LC Condition has not been satisfied, Issuing Bank shall not issue the requested Letter of Credit. Prior to receipt of any such notice, Issuing Bank shall not be deemed to have knowledge of any failure of LC Conditions.

(b) Letters of Credit may be requested by a Borrower to support obligations incurred in the Ordinary Course of Business, or as otherwise approved by Agent. Increase, renewal or extension of a Letter of Credit shall be treated as issuance of a new Letter of Credit, except that Issuing Bank may require a new LC Application in its discretion.

(c) Borrowers assume all risks of the acts, omissions or misuses of any Letter of Credit by the beneficiary. In connection with issuance of any Letter of Credit, none of Agent, Issuing Bank or any Lender shall be responsible for the existence, character, quality, quantity, condition, packing, value or delivery of any goods purported to be represented by any Documents; any differences or variation in the character, quality, quantity, condition, packing, value or delivery of any goods from that expressed in any Documents; the form, validity, sufficiency, accuracy, genuineness or legal effect of any Documents or of any endorsements thereon; the time, place, manner or order in which shipment of goods is made; partial or incomplete shipment of, or failure to ship, any goods referred to in a Letter of Credit or Documents; any deviation from instructions, delay, default or fraud by any shipper or other Person in connection with any goods, shipment or delivery; any breach of contract between a shipper or vendor and a Borrower; errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, telecopy, e-mail, telephone or otherwise; errors in interpretation of technical terms; the misapplication by a beneficiary of any Letter of Credit or the proceeds thereof; or any consequences arising from causes beyond the control of Issuing Bank, Agent or any Lender, including any act or omission of a Governmental Authority. Borrowers shall take all commercially reasonable action to avoid and mitigate any damages relating to any Letter of Credit or claimed against Issuing Bank, Agent or any Lender, including through enforcement of any available rights against a beneficiary. Issuing Bank shall be fully subrogated to the rights and remedies of any beneficiary whose claims against Borrowers are discharged with proceeds of a Letter of Credit. The rights and remedies of Issuing Bank under the Loan Documents shall be cumulative.

(d) In connection with its administration of and enforcement of rights or remedies under any Letters of Credit or LC Documents, Issuing Bank shall be entitled to act, and shall be fully protected in acting, upon any certification, documentation or communication in whatever form believed by Issuing Bank, in good faith, to be genuine and correct and to have been signed, sent or made by a proper Person. Issuing Bank may consult with and employ legal counsel, accountants and other experts to advise it concerning its obligations, rights and remedies, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by such experts. Issuing Bank may employ agents and attorneys-in-fact in connection with any matter relating to Letters of Credit or LC Documents, and shall not be liable for the negligence or misconduct of agents and attorneys-in-fact selected with reasonable care.

2.3.2 Reimbursement; Participations.

(a) If Issuing Bank honors any request for payment under a Letter of Credit, Borrowers shall pay to Issuing Bank, on the same day ("Reimbursement Date"), the amount paid by Issuing Bank under such Letter of Credit, together with interest at the interest rate for Base Rate Revolver Loans from the Reimbursement Date until payment by Borrowers. The obligation of Borrowers to reimburse Issuing Bank for any payment made under a Letter of Credit shall be absolute, unconditional, irrevocable, and joint and several, and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or the existence of any claim, setoff, defense or other right that Borrowers may have at any time against the beneficiary. Whether or not Borrower Agent submits a Notice of Borrowing, Borrowers shall be deemed to have requested a Borrowing of Base Rate Revolver Loans in an amount necessary to pay all amounts due Issuing Bank on any Reimbursement Date and each Lender shall fund its Pro Rata share of such Borrowing whether or not the Commitments have terminated, an Overadvance exists or is created thereby, or the conditions in **Section 6** are satisfied.

(b) Each Lender hereby irrevocably and unconditionally purchases from Issuing Bank, without recourse or warranty, an undivided Pro Rata participation in all LC Obligations outstanding from time to time. Issuing Bank is issuing Letters of Credit in reliance upon this participation. If Borrowers do not make a payment to Issuing Bank when due hereunder, Agent shall promptly notify Lenders and each Lender shall within one Business Day after such notice pay to Agent, for the benefit of Issuing Bank, the Lender's Pro Rata share of such payment. Upon request by a Lender, Issuing Bank shall provide copies of Letters of Credit and LC Documents in its possession at such time.

(c) The obligation of each Lender to make payments to Agent for the account of Issuing Bank in connection with Issuing Bank's payment under a Letter of Credit shall be absolute, unconditional and irrevocable, not subject to any counterclaim, setoff, qualification or exception whatsoever, and shall be made in accordance with this Agreement under all circumstances, irrespective of any lack of validity or unenforceability of any Loan Documents; any draft, certificate or other document presented under a Letter of Credit having been determined to be forged, fraudulent, noncompliant, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; any waiver by Issuing Bank of a requirement that exists for its protection (and not a Borrower's protection) or that does not materially prejudice a Borrower; any honor of an electronic demand for payment even if a draft is required; any payment of an item presented after a Letter of Credit's expiration date if authorized by the UCC or applicable customs or practices; or any setoff or defense that an Obligor may have with respect to any Obligations. Issuing Bank does not assume any responsibility for any failure or delay in performance or any breach by any Borrower or other Person of any obligations under any LC Documents. Issuing Bank does not make to Lenders any express or implied warranty, representation or guaranty with respect to any Letter of Credit, Collateral, LC Document or Obligor. Issuing Bank shall not be responsible to any Lender for any recitals, statements, information, representations or warranties contained in, or for the execution, validity, genuineness, effectiveness or enforceability of any LC Documents; the validity, genuineness, enforceability, collectability, value or sufficiency of any Collateral or the perfection of any Lien therein; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor.

(d) No Issuing Bank Indemnitee shall be liable to any Lender or other Person for any action taken or omitted to be taken in connection with any Letter of Credit or LC Document except as a result of its gross negligence or willful misconduct. Issuing Bank may refrain from taking any action with respect to a Letter of Credit until it receives written instructions (and in its discretion, appropriate assurances) from the Lenders.

2.3.3 Cash Collateral. Subject to **Section 2.1.5**, if at any time (a) an Event of Default exists, (b) the Commitment Termination Date has occurred, or (c) the Revolver Termination Date is scheduled to occur within 20 Business Days, then Borrowers shall, at Issuing Bank's or Agent's request, Cash Collateralize all outstanding Letters of Credit. Borrowers shall, at Issuing Bank's or Agent's request at any time, Cash Collateralize the Fronting Exposure of any Defaulting Lender. If Borrowers fail to provide any Cash Collateral as required hereunder, Lenders may (and shall upon direction of Agent) advance, as Revolver Loans, the amount of Cash Collateral required (whether or not the Commitments have terminated, an Overadvance exists or the conditions in **Section 6** are satisfied).

2.3.4 Resignation of Issuing Bank. Issuing Bank may resign at any time upon notice to Agent and Borrowers, and any resignation of Agent hereunder shall automatically constitute its concurrent resignation as Issuing Bank. From the effective date of such resignation, Issuing Bank shall have no obligation to issue, amend, renew, extend or otherwise modify any Letter of Credit, but shall otherwise continue to have all rights and obligations of an Issuing Bank hereunder relating to any Letter of Credit issued by it prior to such date. Agent shall promptly appoint a replacement Issuing Bank, which, as long as no Default or Event of Default exists, shall be reasonably acceptable to Borrowers.

**SECTION 3. INTEREST, FEES AND CHARGES**

**3.1. Interest**.

3.1.1 Rates and Payment of Interest.

(a) The Obligations shall bear interest (i) if a Base Rate Loan, at the Base Rate in effect from time to time, plus the Applicable Margin; (ii) if a LIBOR Loan, at LIBOR for the applicable Interest Period, plus the Applicable Margin; and (iii) if any other Obligation (including, to the extent permitted by law, interest not paid when due), at the Base Rate in effect from time to time, plus the Applicable Margin for Base Rate Revolver Loans.

(b) During an Insolvency Proceeding with respect to any Borrower, or during any other Event of Default if Agent or Required Lenders in their discretion so elect following Agent's notice to Borrower Agent of such election and continuing until the applicable Event of Default is waived or cured, Obligations shall bear interest at the Default Rate (whether before or after any judgment). Each Borrower acknowledges that the cost and expense to Agent and Lenders due to an Event of Default are difficult to ascertain and that the Default Rate is fair and reasonable compensation for this.

(c) Interest shall accrue from the date a Loan is advanced or Obligation is incurred or payable, until paid in full by Borrowers, and shall in no event be less than zero at any time. Interest accrued on the Loans shall be due and payable in arrears, (i) on the first day of each calendar month; (ii) on any date of prepayment, with respect to the principal amount of Loans being prepaid; and (iii) on the Commitment Termination Date. Interest accrued on any other Obligations shall be due and payable as provided in the Loan Documents and, if no payment date is specified, shall be due and payable on demand. Notwithstanding the foregoing, interest accrued at the Default Rate shall be due and payable on demand.

3.1.2 Application of LIBOR to Outstanding Loans.

(a) Borrowers may on any Business Day, subject to delivery of a Notice of Conversion/Continuation, elect to convert any portion of the Base Rate Loans to, or to continue any LIBOR Loan at the end of its Interest Period as, a LIBOR Loan. During any Default or Event of Default, Agent may (and shall at the direction of Required Lenders) declare that no Loan may be made, converted or continued as a LIBOR Loan.

(b) To convert or continue Loans as LIBOR Loans, Borrower Agent shall give Agent a Notice of Conversion/Continuation, no later than 11:00 a.m. at least two Business Days before the requested conversion or continuation date. Promptly after receiving any such notice, Agent shall notify each Lender thereof. Each Notice of Conversion/Continuation shall be irrevocable, and shall specify the amount of Loans to be converted or continued, the conversion or continuation date (which shall be a Business Day), and the duration of the Interest Period (which shall be deemed to be 30 days if not specified). If, upon the expiration of any Interest Period for any LIBOR Loan, Borrowers shall have failed to deliver a Notice of Conversion/Continuation, they shall be deemed to have elected to convert such Loan into a Base Rate Loan. Agent does not warrant or accept responsibility for, nor shall it have any liability with respect to, administration, submission or any other matter related to any rate described in the definition of LIBOR.

3.1.3 Interest Periods. In connection with the making, conversion or continuation of any LIBOR Loans, Borrowers shall select an interest period ("Interest Period") to apply, which interest period shall be 30, 60, or 90 days (if available from all Lenders); provided, however, that:

(a) the Interest Period shall begin on the date the Loan is made or continued as, or converted into, a LIBOR Loan, and shall expire on the numerically corresponding day in the calendar month at its end;

(b) if any Interest Period begins on a day for which there is no corresponding day in the calendar month at its end or if such corresponding day falls after the last Business Day of such month, then the Interest Period shall expire on the last Business Day of such month; and if any Interest Period would otherwise expire on a day that is not a Business Day, the period shall expire on the next Business Day; and

(c) no Interest Period shall extend beyond the Revolver Termination Date.

3.1.4 Interest Rate Not Ascertainable. If, due to any circumstance affecting the London interbank market, Agent determines that adequate and fair means do not exist for ascertaining LIBOR on any applicable date or that any Interest Period is not available on the basis provided herein, then Agent shall immediately notify Borrowers of such determination. Until Agent notifies Borrowers that such circumstance no longer exists, the obligation of Lenders to make affected LIBOR Loans shall be suspended and no further Loans may be converted into or continued as such LIBOR Loans.

**3.2. Fees**.

3.2.1 Unused Line Fee. Borrowers shall pay to Agent, for the Pro Rata benefit of Lenders, a fee equal to the Unused Line Fee Rate times the amount by which the Revolver Commitments exceed the average daily Revolver Usage during any calendar month. Such fee shall be payable in arrears, on the first day of each calendar month and on the Commitment Termination Date.

3.2.2 LC Facility Fees. Borrowers shall pay (a) to Agent, for the Pro Rata benefit of Lenders, a fee equal to the Applicable Margin in effect for LIBOR Revolver Loans times the average daily Stated Amount of Letters of Credit, which fee shall be payable monthly in arrears, on the first day of each calendar month; (b) to Agent, for its own account, a fronting fee equal to 0.125% per annum on the Stated Amount of each Letter of Credit, which fee shall be payable monthly in arrears, on the first day of each calendar month; and (c) to Issuing Bank, for its own account, all customary charges associated with the issuance, amending, negotiating, payment, processing, transfer and administration of Letters of Credit, which charges shall be paid as and when incurred. During an Event of Default, the fee payable under clause (a) shall be increased by 2% per annum.

3.2.3 Fee Letter. Borrowers shall pay all fees set forth in the Fee Letter and any other fee letter executed in connection with this Agreement.

**3.3. Computation of Interest, Fees, Yield Protection.** All interest, as well as fees and other charges calculated on a per annum basis, shall be computed for the actual days elapsed, based on a year of 360 days. Each determination by Agent of any interest, fees or interest rate hereunder shall be final, conclusive and binding for all purposes, absent manifest error. All fees shall be fully earned when due and shall not be subject to rebate, refund or proration. All fees payable under **Section 3.2** are compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money. A certificate as to amounts payable by Obligors under **Section 3.4, 3.6, 3.7, 3.9** or **5.9**, submitted to Borrower Agent by Agent or the affected Lender shall be final, conclusive and binding for all purposes, absent manifest error, and Obligors shall pay such amounts to the appropriate party within 10 days following receipt of the certificate.

**3.4. Reimbursement Obligations.** Obligors shall pay all Extraordinary Expenses promptly upon request. Obligors shall also reimburse Agent for all reasonable legal, accounting, appraisal, consulting, and other fees and expenses incurred by it in connection with (a) negotiation and preparation of any Loan Documents, including any amendment or other modification thereof; (b) administration of and actions relating to any Collateral, Loan Documents and transactions contemplated thereby, including any actions taken to perfect or maintain priority of Agent's Liens on any Collateral, to maintain any insurance required hereunder or to verify Collateral; and (c) subject to the limits of Section 10.1.1(b), any examination, inspection, audit, or appraisal with respect to any Obligor or Collateral, whether prepared by Agent's personnel or a third party. All legal, accounting and consulting fees shall be charged to Obligors by Agent's professionals at their full hourly rates, regardless of any alternative fee arrangements that Agent, any Lender or any of their Affiliates may have with such professionals that otherwise might apply to this or any other transaction. Obligors acknowledge that counsel may provide Agent with a benefit (such as a discount, credit or accommodation for other matters) based on counsel's overall relationship with Agent, including fees paid hereunder. If, for any reason (including inaccurate reporting in any Borrower Materials), it is determined that a higher Applicable Margin should have applied to a period than was actually applied, then the proper margin shall be applied retroactively and Obligors shall immediately pay to Agent, for the ratable benefit of Lenders, an amount equal to the difference between the amount of interest and fees that would have accrued using the proper margin and the amount actually paid. All amounts payable by Obligors under this Section shall be due **on demand**.

**3.5. Illegality.** If any Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender to perform any of its obligations hereunder, to make, maintain, fund or charge applicable interest or fees with respect to any Loan or Letter of Credit, or to determine or charge interest based on LIBOR, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to Agent, any obligation of such Lender to perform such obligations, to make, maintain or fund the Loan or participate in the Letter of Credit (or to charge interest or fees with respect thereto), or to continue or convert Loans as LIBOR Loans, shall be suspended until such Lender notifies Agent that the circumstances giving rise to such determination no longer exist. Upon delivery of such notice, Borrowers shall prepay the applicable Loan, Cash Collateralize the applicable LC Obligations or, if applicable, convert LIBOR Loan(s) of such Lender to Base Rate Loan(s), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain the LIBOR Loan to such day, or immediately, if such Lender may not lawfully continue to maintain the LIBOR Loan. Upon any such prepayment or conversion, Borrowers shall also pay accrued interest on the amount so prepaid or converted.

**3.6. Inability to Determine Rates.** Agent will promptly notify Borrower Agent and Lenders if, in connection with any Loan or request for a Loan, (a) Agent determines that (i) Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable Loan amount or Interest Period, or (ii) adequate and reasonable means do not exist for determining LIBOR for the Interest Period; or (b) Agent or Required Lenders determine for any reason that LIBOR for the Interest Period does not adequately and fairly reflect the cost to Lenders of funding the Loan. Thereafter, Lenders' obligations to make or maintain affected LIBOR Loans and utilization of the LIBOR component (if affected) in determining Base Rate shall be suspended until Agent (upon instruction by Required Lenders) withdraws the notice. Upon receipt of such notice, Borrower Agent may revoke any pending request for a LIBOR Loan or, failing that, will be deemed to have requested a Base Rate Loan.

**3.7. Increased Costs; Capital Adequacy**.

3.7.1 Increased Costs Generally. If any Change in Law shall:

(a) impose, modify or deem applicable any reserve, liquidity, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in calculating LIBOR) or Issuing Bank;

(b) subject any Recipient to Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (iii) Connection Income Taxes) with respect to any Loan, Letter of Credit, Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(c) impose on any Lender, Issuing Bank or interbank market any other condition, cost or expense affecting any Loan, Letter of Credit, participation in LC Obligations, Commitment or Loan Document;

and the result thereof shall be to increase the cost to a Lender of making or maintaining any Loan or Commitment, or converting to or continuing any interest option for a Loan, or to increase the cost to a Lender or Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by a Lender or Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or Issuing Bank, Borrowers will pay to it such additional amount(s) as will compensate it for the additional costs incurred or reduction suffered.

3.7.2 Capital Requirements. If a Lender or Issuing Bank determines that a Change in Law affecting such Lender or Issuing Bank or its holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's, Issuing Bank's or holding company's capital as a consequence of this Agreement, or such Lender's or Issuing Bank's Commitments, Loans, Letters of Credit or participations in LC Obligations or Loans, to a level below that which such Lender, Issuing Bank or holding company could have achieved but for such Change in Law (taking into consideration its policies with respect to capital adequacy), then from time to time Borrowers will pay to such Lender or Issuing Bank, as the case may be, such additional amounts as will compensate it or its holding company for the reduction suffered.

3.7.3 LIBOR Loan Reserves. If any Lender is required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits, Borrowers shall pay additional interest to such Lender on each LIBOR Loan equal to the costs of such reserves allocated to the Loan by the Lender (as determined by it in good faith, which determination shall be conclusive). The additional interest shall be due and payable on each interest payment date for the Loan; provided, however, that if the Lender notifies Borrower Agent (with a copy to Agent) of the additional interest less than ten (10) days prior to the interest payment date, then such interest shall be payable ten (10) days after Borrower Agent's receipt of the notice.

3.7.4 Compensation. Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation, but Obligors shall not be required to compensate a Lender or Issuing Bank for any increased costs or reductions suffered more than nine (9) calendar months (plus any period of retroactivity of the Change in Law giving rise to the demand) prior to the date that the Lender or Issuing Bank notifies Borrower Agent of the applicable Change in Law and of such Lender's or Issuing Bank's intention to claim compensation therefor.

**3.8.** **Mitigation**. If any Lender gives a notice under **Section 3.5** or requests compensation under **Section 3.7**, or if Obligors are required to pay any Indemnified Taxes or additional amounts with respect to a Lender under **Section 5.9**, then at the request of Borrower Agent, such Lender shall use reasonable efforts to designate a different Lending Office or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment (a) would eliminate the need for such notice or reduce amounts payable or to be withheld in the future, as applicable; and (b) would not subject the Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to it or unlawful. Obligors shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

**3.9.** **Funding Losses.** If for any reason (a) any Borrowing, conversion or continuation of a LIBOR Loan does not occur on the date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not withdrawn), (b) any repayment or conversion of a LIBOR Loan occurs on a day other than the end of its Interest Period, (c) Borrowers fail to repay a LIBOR Loan when required hereunder, or (d) a Lender (other than a Defaulting Lender) is required to assign a LIBOR Loan prior to the end of its Interest Period pursuant to **Section 13.4**, then Borrowers shall pay to Agent its customary administrative charge and to each Lender all losses, expenses and fees arising from redeployment of funds or termination of match funding. For purposes of calculating amounts payable under this Section, a Lender shall be deemed to have funded a LIBOR Loan by a matching deposit or other borrowing in the London interbank market for a comparable amount and period, whether or not the Loan was in fact so funded.

**3.10.** **Maximum Interest.** Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by Applicable Law ("maximum rate"). If Agent or any Lender shall receive interest in an amount that exceeds the maximum rate, the excess interest shall be applied to the principal of the Obligations or, if it exceeds such unpaid principal, refunded to Borrowers. In determining whether the interest contracted for, charged or received by Agent or a Lender exceeds the maximum rate, such Person may, to the extent permitted by Applicable Law, (a) characterize any payment that is not principal as an expense, fee or premium rather than interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

**SECTION 4. LOAN ADMINISTRATION**

**4.1.** **Manner of Borrowing and Funding Revolver Loans**.

4.1.1 Notice of Borrowing.

(a) To request Revolver Loans, Borrower Agent shall give Agent a Notice of Borrowing by 11:00 a.m. (i) on the requested funding date, in the case of Base Rate Loans, and (ii) at least two Business Days prior to the requested funding date, in the case of LIBOR Loans. Notices received by Agent after such time shall be deemed received on the next Business Day. Each Notice of Borrowing shall be irrevocable and shall specify (A) the Borrowing amount, (B) the requested funding date (which must be a Business Day), (C) whether the Borrowing is to be made as a Base Rate Loan or LIBOR Loan, and (D) in the case of a LIBOR Loan, the applicable Interest Period (which shall be deemed to be 30 days if not specified).

(b) Unless payment is otherwise made by Borrowers, the becoming due of any Obligation (whether principal, interest, fees or other charges, including Extraordinary Expenses, LC Obligations, Cash Collateral and Secured Bank Product Obligations) shall be deemed to be a request for a Base Rate Revolver Loan on the due date in the amount due and the Loan proceeds shall be disbursed as direct payment of such Obligation. In addition, Agent may, at its option, charge such amount against any operating, investment or other account of a Borrower maintained with Agent or any of its Affiliates.

(c) If a Borrower maintains a disbursement account with Agent or any of its Affiliates, then presentation for payment in the account of a Payment Item when there are insufficient funds to cover it shall be deemed to be a request for a Base Rate Revolver Loan on the presentation date, in the amount of the Payment Item. Proceeds of the Loan may be disbursed directly to the account.

4.1.2 Fundings by Lenders. Except for Borrowings to be made as Swingline Loans, Agent shall endeavor to notify Lenders of each Notice of Borrowing (or deemed request for a Borrowing) by 1:00 p.m. on the proposed funding date for a Base Rate Loan or by 3:00 p.m. at least two Business Days before a proposed funding of a LIBOR Loan. Each Lender shall fund its Pro Rata share of a Borrowing in immediately available funds not later than 3:00 p.m. on the requested funding date, unless Agent's notice is received after the times provided above, in which case Lender shall fund by 11:00 a.m. on the next Business Day. Subject to its receipt of such amounts from Lenders, Agent shall disburse the Borrowing proceeds in a manner directed by Borrower Agent and acceptable to Agent. Unless Agent receives (in sufficient time to act) written notice from a Lender that it will not fund its share of a Borrowing, Agent may assume that such Lender has deposited or promptly will deposit its share with Agent, and Agent may disburse a corresponding amount to Borrowers. If a Lender's share of a Borrowing or of a settlement under **Section 4.1.3(b)** is not received by Agent, then Borrowers agree to repay to Agent **on demand** the amount of such share, together with interest thereon from the date disbursed until repaid, at the rate applicable to the Borrowing. A Lender or Issuing Bank may fulfill its obligations under Loan Documents through one or more Lending Offices, and this shall not affect any obligation of Obligors under the Loan Documents or with respect to any Obligations.

4.1.3 Swingline Loans; Settlement.

(a) To fulfill any request for a Base Rate Revolver Loan hereunder, Agent may in its discretion advance Swingline Loans to Borrowers, up to an aggregate outstanding amount of $4,500,000. Swingline Loans shall constitute Revolver Loans for all purposes, except that payments thereon shall be made to Agent for its own account until Lenders have funded their participations therein as provided below.

(b) Settlement of Loans, including Swingline Loans, among Lenders and Agent shall take place on a date determined from time to time by Agent (but at least weekly, unless the settlement amount is de minimis), on a Pro Rata basis in accordance with the Settlement Report delivered by Agent to Lenders. Between settlement dates, Agent may in its discretion apply payments on Revolver Loans to Swingline Loans, regardless of any designation by Borrowers or anything herein to the contrary. Each Lender hereby purchases, without recourse or warranty, an undivided Pro Rata participation in all Swingline Loans outstanding from time to time until settled. If a Swingline Loan cannot be settled among Lenders, whether due to an Obligor's Insolvency Proceeding or for any other reason, each Lender shall pay the amount of its participation in the Loan to Agent, in immediately available funds, within one Business Day after Agent's request therefor. Lenders' obligations to make settlements and to fund participations are absolute, irrevocable and unconditional, without offset, counterclaim or other defense, and whether or not the Commitments have terminated, an Overadvance exists or the conditions in **Section 6** are satisfied.

4.1.4 Notices. Borrowers may request, convert or continue Loans, select interest rates and transfer funds based on telephonic or e-mailed instructions to Agent. Borrowers shall confirm each such request by prompt delivery to Agent of a Notice of Borrowing or Notice of Conversion/Continuation, if applicable, but if it differs materially from the action taken by Agent or Lenders, the records of Agent and Lenders shall govern. Neither Agent nor any Lender shall have any liability for any loss suffered by a Borrower as a result of Agent or any Lender acting upon its understanding of telephonic or e-mailed instructions from a person believed in good faith by Agent or any Lender to be a person authorized to give such instructions on a Borrower's behalf.

**4.2. Defaulting Lender.** Notwithstanding anything herein to the contrary:

4.2.1 Reallocation of Pro Rata Share; Amendments. For purposes of determining Lenders' obligations or rights to fund, participate in or receive collections with respect to Loans and Letters of Credit (including existing Swingline Loans, Protective Advances and LC Obligations), Agent may in its discretion reallocate Pro Rata shares by excluding a Defaulting Lender's Commitments and Loans from the calculation of shares. A Defaulting Lender shall have no right to vote on any amendment, waiver or other modification of a Loan Document, except as provided in **Section 14.1.1(c)**.

4.2.2 Payments; Fees. Agent may, in its discretion, receive and retain any amounts payable to a Defaulting Lender under the Loan Documents, and a Defaulting Lender shall be deemed to have assigned to Agent such amounts until all Obligations owing to Agent, non-Defaulting Lenders and other Secured Parties have been paid in full. Agent may use such amounts to cover the Defaulting Lender's defaulted obligations, to Cash Collateralize such Lender's Fronting Exposure, to readvance the amounts to Borrowers or to repay Obligations. A Lender shall not be entitled to receive any fees accruing hereunder while it is a Defaulting Lender and its unfunded Commitment shall be disregarded for purposes of calculating the unused line fee under **Section 3.2.1**. If any LC Obligations owing to a Defaulted Lender are reallocated to other Lenders, fees attributable to such LC Obligations under **Section 3.2.2** shall be paid to such Lenders. Agent shall be paid all fees attributable to LC Obligations that are not reallocated.

4.2.3 Status; Cure. Agent may determine in its discretion that a Lender constitutes a Defaulting Lender and the effective date of such status shall be conclusive and binding on all parties, absent manifest error. Borrowers, Agent and Issuing Bank may agree in writing that a Lender has ceased to be a Defaulting Lender, whereupon Pro Rata shares shall be reallocated without exclusion of the reinstated Lender's Commitments and Loans, and the Revolver Usage and other exposures under the Revolver Commitments shall be reallocated among Lenders and settled by Agent (with appropriate payments by the reinstated Lender, including its payment of breakage costs for reallocated LIBOR Loans) in accordance with the readjusted Pro Rata shares. Unless expressly agreed by Borrowers, Agent and Issuing Bank, or as expressly provided herein with respect to Bail-In Actions and related matters, no reallocation of Commitments and Loans to non-Defaulting Lenders or reinstatement of a Defaulting Lender shall constitute a waiver or release of claims against such Lender. The failure of any Lender to fund a Loan, to make a payment in respect of LC Obligations or otherwise to perform obligations hereunder shall not relieve any other Lender of its obligations under any Loan Document. No Lender shall be responsible for default by another Lender.

**4.3. Number and Amount of LIBOR Loans; Determination of Rate.** Each Borrowing of LIBOR Loans when made shall be in a minimum amount of $1,000,000, plus an increment of $100,000 in excess thereof. No more than 6 Borrowings of LIBOR Loans may be outstanding at any time, and all LIBOR Loans having the same length and beginning date of their Interest Periods shall be aggregated together and considered one Borrowing for this purpose. Upon determining LIBOR for any Interest Period requested by Borrowers, Agent shall promptly notify Borrower Agent thereof by telephone or electronically and, if requested by Borrowers, shall confirm any telephonic notice in writing.

**4.4. Borrower Agent.** Each Borrower hereby designates (a) at all times prior to the Closing Date Acquisition and the execution and delivery of the Assumption Agreement, the Initial Borrower and (b) upon and at all times after the consummation of the Closing Date Acquisition and the execution and delivery of the Assumption Agreement, Hydrofarm ("Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipt of Loans and Letters of Credit, designation of interest rates, delivery or receipt of communications, delivery of Borrower Materials, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with Agent, Issuing Bank or any Lender. Borrower Agent hereby accepts such appointment. Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any notice of borrowing) delivered by Borrower Agent on behalf of any Borrower. Agent and Lenders may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of Agent, Issuing Bank and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action, omission or undertaking by Borrower Agent shall be binding upon and enforceable against such Borrower.

**4.5. One Obligation**. The Loans, LC Obligations and other Obligations constitute one general obligation of Borrowers and are secured by Agent's Lien on all Collateral; provided, however, that Agent and each Lender shall be deemed to be a creditor of, and the holder of a separate claim against, each Borrower to the extent of any Obligations jointly or severally owed by such Borrower.

**4.6. Effect of Termination.** On the effective date of the termination of all Commitments, the Obligations shall be immediately due and payable, and each Secured Bank Product Provider may terminate its Bank Products. Until Full Payment of the Obligations, all undertakings of Borrowers contained in the Loan Documents shall continue, and Agent shall retain its Liens in the Collateral and all of its rights and remedies under the Loan Documents. Agent shall not be required to terminate its Liens unless it receives Cash Collateral or a written agreement, in each case satisfactory to it, protecting Agent and Lenders from dishonor or return of any Payment Item previously applied to the Obligations. **Sections 2.3, 3.4, 3.6, 3.7, 3.9, 5.5, 5.9, 5.10**, **12, 14.2**, this Section, and each indemnity or waiver given by an Obligor or Lender in any Loan Document, shall survive Full Payment of the Obligations.

**SECTION 5. PAYMENTS**

**5.1. General Payment Provisions.** All payments of Obligations shall be made in Dollars, without offset, counterclaim or defense of any kind, free and clear of (and without deduction for) any Taxes, and in immediately available funds, not later than 12:00 noon on the due date. Any payment after such time shall be deemed made on the next Business Day. Any payment of a LIBOR Loan prior to the end of its Interest Period shall be accompanied by all amounts due under **Section 3.9**. Borrowers agree that Agent shall have the continuing, exclusive right to apply and reapply payments and proceeds of Collateral against the Obligations, in such manner as Agent deems advisable, but whenever possible, any prepayment of Loans shall be applied first to Base Rate Loans and then to LIBOR Loans.

**5.2. Repayment of Revolver Loans**. Revolver Loans shall be due and payable in full on the Revolver Termination Date, unless payment is sooner required hereunder. Revolver Loans may be prepaid from time to time, without penalty or premium. Subject to Section 2.1.5, if an Overadvance exists at any time, Borrowers shall, on the sooner of Agent's demand or the first Business Day after any Borrower has knowledge thereof, repay Revolver Loans in an amount sufficient to reduce Revolver Usage to the Borrowing Base. If any Asset Disposition includes the disposition of Accounts or Inventory, Borrowers shall apply Net Proceeds to repay Revolver Loans equal to the greater of (a) the net book value of such Accounts and Inventory, or (b) the reduction in Borrowing Base resulting from the disposition.

**5.3. Mandatory Prepayments**. Subject to the Intercreditor Agreement:

(a) Concurrently with any Asset Disposition (i) of any Collateral of any Obligor and/or any of its Subsidiaries (excluding Permitted Asset Dispositions described in any of **clauses (a)**, **(b)**, **(c)**, **(d)**, **(f)**, **(g)**, **(h)**, **(i)**, **(j)** or **(l)** of such defined term) or (ii) consisting of a Permitted Colorado Sale-Leaseback, Borrowers shall prepay Revolver Loans in an amount equal to the Net Proceeds of such disposition; provided that the requirements of this **Section 5.3(a)** shall not be applicable to any such Net Proceeds reinvested pursuant to **clause (k)(i)** of the definition of Permitted Asset Disposition;

(b) Concurrently with any proceeds of insurance or condemnation awards paid in respect of any Collateral of any Obligor and/or any of its Subsidiaries, Borrowers shall prepay Revolver Loans in an amount equal to such Net Proceeds, subject to **Section 8.6.2**;

(c) concurrently with the receipt of any Net Proceeds of any Extraordinary Receipts by any Obligor and/or any of its Subsidiaries, Borrowers shall prepay Revolver Loans in an amount equal to such Net Proceeds.

Any prepayment of Revolver Loans pursuant to this **Section 5.3** or any repayment of Revolver Loans pursuant to **Section 2.1.5** shall be applied first, to all Revolver Loans (other than any FILO Loans) and thereafter to all FILO Loans. Subject to the Intercreditor Agreement, no prepayment of Revolver Loans pursuant to this **Section 5.3** shall cause a permanent reduction in the Revolver Commitments. Each prepayment of Revolver Loans shall be accompanied by all interest accrued thereon and any amounts payable under **Section 3.9**.

**5.4. Payment of Other Obligations.** Subject to the Intercreditor Agreement, Obligations other than Loans, including LC Obligations and Extraordinary Expenses, shall be paid by Borrowers as provided in the Loan Documents or, if no payment date is specified, **on demand**.

**5.5. Marshaling; Payments Set Aside.** None of Agent or Lenders shall be under any obligation to marshal any assets in favor of any Obligor or against any Obligations. If any payment by or on behalf of Borrowers is made to Agent, Issuing Bank or any Lender, or if Agent, Issuing Bank or any Lender exercises a right of setoff, and any of such payment or setoff is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Agent, Issuing Bank or a Lender in its discretion) to be repaid to a trustee, receiver or any other Person, then the Obligation originally intended to be satisfied, and all Liens, rights and remedies relating thereto, shall be revived and continued in full force and effect as if such payment or setoff had not occurred.

**5.6. Application and Allocation of Payments**.

5.6.1 Application. Payments made by Obligors hereunder shall be applied, subject to the Intercreditor Agreement, (a) first, as specifically required hereby; (b) second, to Obligations then due and owing; (b) third, to other Obligations specified by Borrowers; and (c) fourth, as determined by Agent in its discretion; provided, that notwithstanding the foregoing, any repayment or prepayment of Revolver Loans shall be applied first, to all Revolver Loans (other than FILO Loans) and thereafter to all FILO Loans.

5.6.2 Post-Default Allocation. Notwithstanding anything in any Loan Document (subject to the Intercreditor Agreement) to the contrary, during an Event of Default under **Section 11.1(j)**, or during any other Event of Default at the discretion of Agent or Required Lenders, monies to be applied to the Obligations, whether arising from payments by Obligors, realization on Collateral, setoff or otherwise, shall be allocated as follows:

(a) **FIRST**, to all fees, indemnification, costs and expenses, including Extraordinary Expenses, owing to Agent;

(b) **SECOND, to all amounts owing to Agent, including Swingline Loans, Protective Advances, and Loans and participations that a Defaulting Lender has failed to settle or fund;**

(c) **THIRD**, to all amounts owing to Issuing Bank;

(d) **FOURTH**, to all Obligations (other than Secured Bank Product Obligations and Obligations of any FILO Loans) constituting fees, indemnification, costs or expenses owing to Lenders;

(e) **FIFTH**, to all Obligations (other than Secured Bank Product Obligations and Obligations of any FILO Loans) constituting interest;

(f) **SIXTH**, to Cash Collateralize all LC Obligations;

(g) **SEVENTH**, to all Loans (other than FILO Loans), and to Secured Bank Product Obligations arising under Hedge Agreements (including Cash Collateralization thereof) up to the amount of Bank Product Reserve existing therefor;

(h) **EIGHTH**, to the Obligations of all FILO Loans constituting fees, indemnification, costs or expenses owing to Lenders;

(i) **NINTH**, to the Obligations of all FILO Loans constituting interest;

(j) **TENTH**, to all FILO Loans;

(k) **ELEVENTH**, to all other Secured Bank Product Obligations; and

(l) **LAST**, to all remaining Obligations.

Amounts shall be applied to payment of each category of Obligations only after Full Payment of amounts payable from time to time under all preceding categories. If amounts are insufficient to satisfy a category, they shall be paid ratably among outstanding Obligations in the category. Monies and proceeds obtained from an Obligor shall not be applied to its Excluded Swap Obligations, but appropriate adjustments shall be made with respect to amounts obtained from other Obligors to preserve the allocations in each category. Agent shall have no obligation to calculate the amount of any Secured Bank Product Obligation and may request a reasonably detailed calculation thereof from a Secured Bank Product Provider. If the provider fails to deliver the calculation within five days following request, Agent may assume the amount is zero. The allocations set forth in this Section are solely to determine the rights and priorities among Secured Parties, and may be changed by agreement of the affected Secured Parties, without the consent of any Obligor. This Section is not for the benefit of or enforceable by any Obligor, and each Borrower irrevocably waives the right to direct the application of any payments or Collateral proceeds subject to this Section.

5.6.3 Erroneous Application. Agent shall not be liable for any application of amounts made by it in good faith and, if any such application is subsequently determined to have been made in error, the sole recourse of any Lender or other Person to which such amount should have been paid shall be to recover the amount from the Person that actually received it (and, if such amount was received by a Secured Party, the Secured Party agrees to return it).

**5.7.** **Dominion Account**. The ledger balance in the main Dominion Account as of the end of a Business Day shall be applied to the Obligations at the beginning of the next Business Day**,** during any Cash Dominion Trigger Period. Any resulting credit balance shall not accrue interest in favor of Borrowers and shall be made available to Borrowers as long as no Default or Event of Default exists.

**5.8.** **Account Stated**. Agent shall maintain, in accordance with its customary practices, loan account(s) evidencing the Debt of Borrowers hereunder. Any failure of Agent to record anything in a loan account, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers to pay any amount owing hereunder. Entries made in a loan account shall constitute presumptive evidence of the information contained therein. If any information contained in a loan account is provided to or inspected by any Person, the information shall be conclusive and binding on such Person for all purposes absent manifest error, except to the extent such Person notifies Agent in writing within 30 days after receipt or inspection that specific information is subject to dispute.

**5.9.** **Taxes.** Payments Free of Taxes; Obligation to Withhold; Tax Payment.

(a) All payments of Obligations by Obligors shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If Applicable Law (as determined by Agent in its Permitted Discretion) requires the deduction or withholding of any Tax from any such payment by Agent or an Obligor, then Agent or such Obligor shall be entitled to make such deduction or withholding based on information and documentation provided pursuant to **Section 5.10**.

(b) If Agent or any Obligor is required by the Code to withhold or deduct Taxes, including backup withholding and withholding taxes, from any payment, then (i) Agent shall pay the full amount that it determines is to be withheld or deducted to the relevant Governmental Authority pursuant to the Code, and (ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) If Agent or any Obligor is required by any Applicable Law other than the Code to withhold or deduct Taxes from any payment, then (i) Agent or such Obligor, to the extent required by Applicable Law, shall timely pay the full amount to be withheld or deducted to the relevant Governmental Authority, and (ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

5.9.2 Payment of Other Taxes. Without limiting the foregoing, Obligors shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at Agent's option, timely reimburse Agent for payment of, any Other Taxes.

5.9.3 Tax Indemnification.

(a) Each Obligor shall indemnify and hold harmless, on a joint and several basis, each Recipient against any Indemnified Taxes (including those imposed or asserted on or attributable to amounts payable under this Section) payable or paid by a Recipient or required to be withheld or deducted from a payment to a Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Obligor shall indemnify and hold harmless Agent against any amount that a Lender or Issuing Bank fails for any reason to pay indefeasibly to Agent as required pursuant to this Section. Each Obligor shall make payment within ten (10) days after demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to an Obligor by a Lender or Issuing Bank (with a copy to Agent), or by Agent on its own behalf or on behalf of any Recipient, shall be conclusive absent manifest error.

(b) Each Lender and Issuing Bank shall indemnify and hold harmless, on a several basis, (i) Agent against any Indemnified Taxes attributable to such Lender or Issuing Bank (but only to the extent Obligors have not already paid or reimbursed Agent therefor and without limiting Obligors' obligations to do so), (ii) Agent and Obligors, as applicable, against any Taxes attributable to such Lender's failure to maintain a Participant register as required hereunder, and (iii) Agent and Obligors, as applicable, against any Excluded Taxes attributable to such Lender or Issuing Bank, in each case, that are payable or paid by Agent or an Obligor in connection with any Obligations, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender and Issuing Bank shall make payment within ten (10) days after demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to any Lender or Issuing Bank by Agent shall be conclusive absent manifest error.

5.9.4 Evidence of Payments. As soon as practicable after payment by an Obligor of any Taxes pursuant to this Section, Borrower Agent shall deliver to Agent the original or a certified copy of a receipt issued by the appropriate Governmental Authority evidencing the payment, a copy of any return required by Applicable Law to report the payment or other evidence of payment reasonably satisfactory to Agent.

5.9.5 Treatment of Certain Refunds. Unless required by Applicable Law, at no time shall Agent have any obligation to file for or otherwise pursue on behalf of a Lender or Issuing Bank, nor have any obligation to pay to any Lender or Issuing Bank, any refund of Taxes withheld or deducted from funds paid for the account of a Lender or Issuing Bank. If a Recipient determines in its discretion that it has received a refund of Taxes that were indemnified by Obligors or with respect to which an Obligor has paid additional amounts pursuant to this Section, it shall pay the amount of such refund to Obligors (but only to the extent of indemnity payments or additional amounts actually paid by Obligors with respect to the Taxes giving rise to the refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund), provided that Obligors agree, upon request by the Recipient, to repay to the Recipient such amount paid over to Obligors (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if the Recipient is required to repay such refund to the Governmental Authority. Notwithstanding anything herein to the contrary, no Recipient shall be required to pay any amount to Obligors if such payment would place it in a less favorable net after-Tax position than it would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. In no event shall Agent or any Recipient be required to make its tax returns (or any other information relating to its taxes that it deems confidential) available to any Obligor or other Person.

5.9.6 Survival. Each party's obligations under **Sections 5.9** and **5.10** shall survive the resignation or replacement of Agent or any assignment of rights by or replacement of a Lender or Issuing Bank, the termination of the Commitments, and the repayment, satisfaction, discharge or Full Payment of any Obligations.

**5.10. Lender Tax Information**.

5.10.1 Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments of Obligations shall deliver to Borrower Agent and Agent properly completed and executed documentation reasonably requested by Borrower Agent or Agent as will permit such payments to be made without or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower Agent or Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by Borrower Agent or Agent to enable them to determine whether such Lender is subject to backup withholding or information reporting requirements. Notwithstanding the foregoing, such documentation (other than documentation described in **Sections 5.10.2(a), (b)** and **(d)**) shall not be required if a Lender reasonably believes delivery of the documentation would subject it to any material unreimbursed cost or expense or would materially prejudice its legal or commercial position.

5.10.2 Documentation. Without limiting the foregoing, if any Borrower is a U.S. Person,

(a) Any Lender that is a U.S. Person shall deliver to Borrower Agent and Agent on or prior to the date on which such Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrower Agent or Agent), executed originals of IRS Form W-9, certifying that such Lender is exempt from U.S. federal backup withholding Tax;

(b) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower Agent and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrower Agent or Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party, (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form) establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty, and (y) with respect to other payments under the Loan Documents, IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form) establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate in form satisfactory to Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of an Obligor within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code ("U.S. Tax Compliance Certificate"), and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form); or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), a U.S. Tax Compliance Certificate in form satisfactory to Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more of its direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner;

(c) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower Agent and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request), executed originals of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit Obligors or Agent to determine the withholding or deduction required to be made; and

(d) if payment of an Obligation to a Lender would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code), such Lender shall deliver to Borrower Agent and Agent, at the time(s) prescribed by law and otherwise upon reasonable request, such documentation prescribed by Applicable Law (including Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be appropriate for Borrowers or Agent to comply with their obligations under FATCA and to determine that such Lender has complied with its obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (d), "FATCA" shall include any amendments made to FATCA after the date hereof.

5.10.3 Redelivery of Documentation. If any form or certification previously delivered by a Lender pursuant to this Section expires or becomes obsolete or inaccurate in any respect, such Lender shall promptly update the form or certification or notify Borrowers and Agent in writing of its inability to do so.

**5.11. Nature and Extent of Each Borrower's Liability**.

5.11.1 Joint and Several Liability. Each Borrower and each Obligor agrees that it is jointly and severally liable for, and absolutely and unconditionally guarantees to Agent and Lenders the prompt payment and performance of, all Obligations, except its Excluded Swap Obligations. Each Borrower and each Obligor agrees that its guaranty obligations hereunder constitute a continuing guaranty of payment and not of collection, that such obligations shall not be discharged until Full Payment of the Obligations, and that such obligations are absolute and unconditional, irrespective of (a) the genuineness, validity, regularity, enforceability, subordination or any future modification of, or change in, any Obligations or Loan Document, or any other document, instrument or agreement to which any Obligor is or may become a party or be bound; (b) the absence of any action to enforce this Agreement (including this Section) or any other Loan Document, or any waiver, consent or indulgence of any kind by Agent or any Lender with respect thereto; (c) the existence, value or condition of, or failure to perfect a Lien or to preserve rights against, any security or guaranty for any Obligations or any action, or the absence of any action, by Agent or any Lender in respect thereof (including the release of any security or guaranty); (d) the insolvency of any Obligor; (e) any election by Agent or any Lender in an Insolvency Proceeding for the application of Section 1111(b)(2) of the Bankruptcy Code; (f) any borrowing or grant of a Lien by any other Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code or otherwise; (g) the disallowance of any claims of Agent or any Lender against any Obligor for the repayment of any Obligations under Section 502 of the Bankruptcy Code or otherwise; or (h) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, except Full Payment of the Obligations.

5.11.2 Waivers.

(a) Each Obligor expressly waives all rights that it may have now or in the future under any statute, at common law, in equity or otherwise, to compel Agent or Lenders to marshal assets or to proceed against any Obligor, other Person or security for the payment or performance of any Obligations before, or as a condition to, proceeding against such Obligor. Each Obligor waives all defenses available to a surety, guarantor or accommodation co-obligor other than Full Payment of Obligations and waives, to the maximum extent permitted by law, any right to revoke any guaranty of Obligations as long as it is an Obligor. It is agreed among each Obligor, Agent and Lenders that the provisions of this **Section 5.11** are of the essence of the transaction contemplated by the Loan Documents and that, but for such provisions, Agent and Lenders would decline to make Loans and issue Letters of Credit. Each Obligor acknowledges that its guaranty pursuant to this Section is necessary to the conduct and promotion of its business, and can be expected to benefit such business.

(b) Agent and Lenders may, in their discretion, pursue such rights and remedies as they deem appropriate, including realization upon Collateral or any Real Estate by judicial foreclosure or nonjudicial sale or enforcement, without affecting any rights and remedies under this **Section 5.11**. If, in taking any action in connection with the exercise of any rights or remedies, Agent or any Lender shall forfeit any other rights or remedies, including the right to enter a deficiency judgment against any Obligor or other Person, whether because of any Applicable Laws pertaining to "election of remedies" or otherwise, each Obligor consents to such action and waives any claim based upon it, even if the action may result in loss of any rights of subrogation that any Obligor might otherwise have had. Any election of remedies that results in denial or impairment of the right of Agent or any Lender to seek a deficiency judgment against any Obligor shall not impair any other Obligor's obligation to pay the full amount of the Obligations. Each Obligor waives all rights and defenses arising out of an election of remedies, such as nonjudicial foreclosure with respect to any security for Obligations, even though that election of remedies destroys such Obligor's rights of subrogation against any other Person. Agent may bid Obligations, in whole or part, at any foreclosure, trustee or other sale, including any private sale, and the amount of such bid need not be paid by Agent but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Agent or any other Person is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral, and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this **Section 5.11**, notwithstanding that any present or future law or court decision may have the effect of reducing the amount of any deficiency claim to which Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

5.11.3 Extent of Liability; Contribution.

(a) Notwithstanding anything herein to the contrary, each Obligor's liability under this **Section 5.11** shall not exceed the greater of (i) all amounts for which such Obligor is primarily liable, as described in clause (c) below, and (ii) such Obligor's Allocable Amount.

(b) If any Obligor makes a payment under this **Section 5.11** of any Obligations (other than amounts for which such Obligor is primarily liable) (a "Guarantor Payment") that, taking into account all other Guarantor Payments previously or concurrently made by any other Obligor, exceeds the amount that such Obligor would otherwise have paid if each Obligor had paid the aggregate Obligations satisfied by such Guarantor Payments in the same proportion that such Obligor's Allocable Amount bore to the total Allocable Amounts of all Obligors, then such Obligor shall be entitled to receive contribution and indemnification payments from, and to be reimbursed by, each other Obligor for the amount of such excess, ratably based on their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. The "Allocable Amount" for any Obligor shall be the maximum amount that could then be recovered from such Obligor under this **Section 5.11** without rendering such payment voidable under Section 548 of the Bankruptcy Code or under any applicable state fraudulent transfer or conveyance act, or similar statute or common law.

(c) **Section 5.11.3(a)** shall not limit the liability of any Obligor to pay or guarantee Loans made directly or indirectly to it (including Loans advanced hereunder to any other Person and then re-loaned or otherwise transferred to, or for the benefit of, such Obligor), LC Obligations relating to Letters of Credit issued to support its business, Secured Bank Product Obligations incurred to support its business, and all accrued interest, fees, expenses and other related Obligations with respect thereto, for which such Obligor shall be primarily liable for all purposes hereunder. Agent and Lenders shall have the right, at any time in their discretion, to condition Loans and Letters of Credit upon a separate calculation of borrowing availability for each Obligor and to restrict the disbursement and use of Loans and Letters of Credit to an Obligor based on that calculation.

(d) Each Obligor that is a Qualified ECP when its guaranty of or grant of Lien as security for a Swap Obligation becomes effective hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide funds or other support to each Specified Obligor with respect to such Swap Obligation as may be needed by such Specified Obligor from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP's obligations and undertakings under this **Section 5.11** voidable under any applicable fraudulent transfer or conveyance act). The obligations and undertakings of each Qualified ECP under this Section shall remain in full force and effect until Full Payment of all Obligations. Each Obligor intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support or other agreement" for the benefit of, each Obligor for all purposes of the Commodity Exchange Act.

5.11.4 Joint Enterprise. Each Borrower has requested that Agent and Lenders make this credit facility available to Borrowers on a combined basis, in order to finance Borrowers' business most efficiently and economically. Borrowers' business is a mutual and collective enterprise, and the successful operation of each Borrower is dependent upon the successful performance of the integrated group. Borrowers believe that consolidation of their credit facility will enhance the borrowing power of each Borrower and ease administration of the facility, all to their mutual advantage. Borrowers acknowledge that Agent's and Lenders' willingness to extend credit and to administer the Collateral on a combined basis hereunder is done solely as an accommodation to Borrowers and at Borrowers' request.

5.11.5 Subordination. Each Obligor hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Obligor, howsoever arising, to the Full Payment of its Obligations.

**SECTION 6. CONDITIONS PRECEDENT**

**6.1. Conditions Precedent to Initial Loans.** The obligation of each Lender to fund any requested Loan, issue any Letter of Credit, or otherwise extend credit to Borrowers hereunder on the Closing Date, shall be subject only to the following conditions precedent, each to the satisfaction of, and as determined by, Agent and Lenders:

(a) This Agreement, the Fee Letter, the Guaranty, the Pledge Agreement, the Assumption Agreement, the initial Borrowing Base Report, the Notes, the IP Security Agreements, the Insurance Assignment, the Intercreditor Agreement and a Notice of Borrowing shall have been duly executed and delivered to Agent by each of the signatories thereto.

(b) Agent shall have received acknowledgments of all filings or recordations necessary to perfect its Liens in the Collateral, as well as UCC and Lien searches and other evidence satisfactory to Agent that such Liens are the only Liens upon the Collateral, except Permitted Liens.

(c) The Closing Equity Contribution shall have been consummated on the Closing Date at or substantially simultaneously with the funding of the initial Revolver Loans.

(d) Agent shall have received duly executed agreements in its customary form establishing each Dominion Account and related lockbox.

(e) Immediately before and after giving effect to the Transactions, the Specified Acquisition Agreement Representations shall be true and correct in all respects on and as of the Closing Date.

(f) Immediately before and after giving effect to the Transactions, the Specified Representations shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the initial Loans hereunder and the consummation of the other Transactions on, the Closing Date.

(g) Agent shall have received certificates, in form and substance satisfactory to it, from a knowledgeable Senior Officer of Borrower Agent certifying that, after giving effect to the initial Loans, the transactions hereunder and the other Transactions, each Obligor has complied with all agreements and conditions to be satisfied by it under this **Section 6.1** (including express certifications with respect to **clauses (c)**, **(e)**, **(f)**, **(n)**, **(p)** and **(q)**).

(h) Agent shall have received a certificate duly executed by a Senior Officer of Borrower Agent, certifying as to the solvency on the Closing Date of Holdings and its Subsidiaries substantially in the form of **Exhibit H** attached hereto

(i) Agent shall have received a certificate of a duly authorized officer of each Obligor, certifying (i) that attached copies of such Obligor's Organic Documents are true and complete, and in full force and effect, without amendment except as shown; (ii) that an attached copy of resolutions authorizing execution and delivery of the Loan Documents is true and complete, and that such resolutions are in full force and effect, were duly adopted, have not been amended, modified or revoked, and constitute all resolutions adopted with respect to this credit facility; (iii) to the title, name and signature of each Person authorized to sign the Loan Documents; and (iv) that attached copies of such Obligor's certificate(s) of good standing required be delivered pursuant to **clause (k)** below are true and complete, and in full force and effect. Agent may conclusively rely on this certificate until it is otherwise notified by the applicable Obligor in writing.

(j) Agent shall have received a favorable legal opinion of Perkins Coie LLP, special counsel to Obligors, addressed to Agent and each of the Lenders, acceptable to Agent in its Permitted Discretion, as to such matters as are reasonably required by Agent with respect to Obligors and this Agreement, each of the Security Documents executed on the Closing Date and the other Loan Documents and covering such other matters relating to the Loan Documents as Agent shall reasonably request.

(k) Agent shall have received copies of the charter documents of each Obligor, certified by the Secretary of State or other appropriate official of such Obligor's jurisdiction of organization. Agent shall have received good standing certificates for each Obligor, issued by the Secretary of State or other appropriate official (as of a recent date) of such Obligor's jurisdiction of organization.

(l) Agent shall have received pdfs of the following that shall have been delivered to the Term Loan Agent: (i) original stock certificates or other certificates evidencing the Equity Interests pledged pursuant to the Security Documents (as defined in the Term Loan Documents), together with an undated stock (or equivalent) power for each such certificate duly executed in blank by the registered owner thereof and (ii) each original promissory note pledged pursuant to the Security Documents (as defined in the Term Loan Documents), if any, together with an undated endorsement for each such promissory note duly executed in blank by the holder thereof.

(m) Agent shall have received (i) an ACORD Evidence of Insurance Certificate naming Agent as lender's loss payee and providing at least 30 days' prior written notice of cancellation of such policies, and (ii) endorsements naming Agent as lender's loss payee and providing at least 30 days' prior written notice of cancellation of such policies, all in compliance with the Loan Documents, in each case, except pursuant to policies relating to kidnap, ransom and terrorism (provided that to the extent the appropriate endorsements naming Agent as lender's loss payee on all policies for property hazard insurance cannot be delivered by the Closing Date after engaging in commercial reasonable efforts to do so, they shall instead be required to be delivered within ten (30) days after the Closing Date).

(n) Since December 31, 2015, there shall not have occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Purchase Agreement).

(o) Borrowers shall have paid all fees and expenses to be paid to Agent and Lenders on the Closing Date pursuant to the terms hereof and the other Loan Documents.

(p) Agent shall have received a Borrowing Base Report as of March 31, 2017. Upon giving effect to the initial funding of Loans and issuance of Letters of Credit, the consummation of the Closing Date Acquisition, the payment by Borrowers of all fees and expenses incurred in connection herewith and in connection with the Term Loan Facility and the other Transactions as well as any payables stretched beyond their customary payment practices, Availability shall be at least $10,000,000.

(q) The Term Loan Lenders have issued Term Loans in the aggregate principal amount of $75,000,000 to the Borrowers and an executed copy of the Term Loan Documents, together with a certificate of a Senior Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof.

(r) Agent shall have received a duly executed Purchase Agreement and an assignment and/or contribution to Obligors' of Holdings' rights under the Purchase Agreement, including, without limitation, any escrow accounts or representation and warranty insurance entered into in connection therewith, together with a certificate of a Senior Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof.

(s) Agent shall have received (i) a pro forma balance sheet of Hydrofarm and its Subsidiaries dated as of the Closing Date and giving effect to the Closing Date Acquisition, which such balance sheet shall reflect no material change from the most recent pro forma balance sheet of Hydrofarm and its Subsidiaries previously delivered to Agent, (ii) financial projections (prepared on a fiscal monthly basis) of Hydrofarm and its Subsidiaries evidencing the Obligors' ability to comply with the financial covenant set forth in Section 10.3 and (iii) interim financial statements for Hydrofarm and its Subsidiaries as of a date not more than 45 days prior to the Closing Date.

(t) The Closing Date Acquisition shall have been, or substantially concurrently with the initial borrowing under this Agreement and shall be, consummated in accordance with the Purchase Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Agent (it being understood and agreed that (i) any modification, amendment or waiver to the definition of "Material Adverse Effect" or any similar term contained in the Purchase Agreement shall require consent of Agent and the Lenders, (ii) any increase in the purchase price shall not require consent of Agent and the Lenders so long as such increase shall be funded by an increase in the Closing Equity Contribution, and (iii) any modification, amendment or waiver to any provision of the Purchase Agreement to which the Lenders are a third party beneficiary pursuant to the terms thereof (including, without limitation, Section 12.8 of the Purchase Agreement) shall require consent of Agent and the Lenders).

(u) On the Closing Date after giving effect to the initial funding of the Loans hereunder and under the Term Loan Facility, Obligors shall have (i) no outstanding Debt other than Permitted Indebtedness, and (ii) no Liens outstanding other than Permitted Liens.

(v) Agent shall have received a duly executed payoff letter evidencing that the Existing Debt Agreements have been, or concurrently with the Closing Date are being, terminated and all Liens securing obligations under the Existing Debt Agreements have been, or concurrently with the Closing Date are being, released.

Notwithstanding anything to the contrary herein, to the extent a perfected security interest in any Collateral (other than (i) any security interest that can be perfected by means of the filing of a UCC financing statement or by short-form intellectual property filings with the United States Patent and Trademark Office and the United States Copyright Office, and (ii) the pledge and perfection of security interests in the Equity Interests of the Borrowers and their Subsidiaries with respect to which a Lien may be perfected by the delivery of a stock or equity certificate) is not or cannot be provided on the Closing Date after the Initial Borrower's use of commercially reasonable efforts to do so or without undue burden or expense, then the perfection of such security interests shall not constitute a condition precedent to the making of the initial Loans on the Closing Date, but instead shall be required to be delivered within sixty (60) days after the Closing Date (or such later date as agreed to in writing by Agent in its sole discretion) (the foregoing being referred to herein as the "Closing Date Perfection Condition").

**6.2.** **Conditions Precedent to All Credit Extensions** . Agent, Issuing Bank and Lenders shall in no event be required to make any credit extension hereunder (including funding any Loan, arranging any Letter of Credit, or granting any other accommodation to or for the benefit of any Borrower) after the initial funding of the Loans on the Closing Date (which such Loans shall be subject to **Section 6.1**), if the following conditions are not satisfied on such date and upon giving effect thereto:

(a) No Default or Event of Default shall exist at the time of, or result from, such funding, issuance or grant;

(b) The representations and warranties of each Obligor in the Loan Documents shall be true and correct in all material respects (without duplication of any materiality provisions therein) on the date of, and upon giving effect to, such funding, issuance or grant (except for representations and warranties that expressly relate to an earlier date, which shall be true and correct in all material respects on such earlier date (without duplication of any materiality provisions therein)); and

(c) All conditions precedent in any Loan Document are satisfied;

(d) No event has occurred or circumstance exists that has or could reasonably be expected to have a Material Adverse Effect; and

(e) With respect to a Letter of Credit issuance, all LC Conditions are satisfied.

Each request (or deemed request) by a Borrower for any funding of a Loan, issuance of a Letter of Credit or grant of an accommodation shall constitute a representation by Borrowers that the foregoing conditions are satisfied on the date of such request and on the date of such funding, issuance, or grant. As an additional condition to a credit extension, Agent may request any other information, certification, document, instrument or agreement as it deems appropriate.

**SECTION 7. COLLATERAL**

**7.1.** **Grant of Security Interest.** Subject to Section 7. 7, to secure the prompt payment and performance of its Obligations, each Obligor hereby grants to Agent, for the benefit of Secured Parties, a continuing security interest in and Lien upon all personal Property of such Obligor (having the Lien priority set forth in the Intercreditor Agreement), including all of the following Property, whether now owned or hereafter acquired, and wherever located:

(a) all Accounts;

(b) all Chattel Paper (including all tangible chattel paper and electronic chattel paper);

(c) all Commercial Tort Claims, including those shown on **Schedule 9.1.16**;

(d) all Deposit Accounts;

(e) all Documents;

(f) all General Intangibles, including Intellectual Property and Domain Names;

(g) all Goods, including Inventory, Equipment and fixtures;

(h) all Instruments;

(i) all Investment Property;

(j) all Letter-of-Credit Rights;

(k) all Supporting Obligations;

(l) all Contracts, lease agreements for real or personal property, licenses, permits and operating rights;

(m) all Negotiable Collateral;

(n) all monies, whether or not in the possession or under the control of Agent, a Lender, or a bailee or Affiliate of Agent or a Lender, including any Cash Collateral;

(o) all accessions to, substitutions for, and all replacements, products, and cash and non-cash proceeds of the foregoing, including proceeds of and unearned premiums with respect to insurance policies, and claims against any Person for loss, damage or destruction of any Collateral;

(p) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and computer records) pertaining to the foregoing; and

(q) all proceeds and products, whether tangible or intangible, of any of the foregoing, and all proceeds of any loss of, damage to or destruction of the above, whether insured or not insured, all other proceeds of any sale, lease or other disposition of any Property or interest therein referred to above, together with all proceeds of any policies of insurance covering any or all of the above, the proceeds of commercial tort claims covering any or all of the foregoing, the proceeds of any award in condemnation with respect to any of the Property of Obligors, any rebates or refunds, whether for taxes or otherwise, and together with all proceeds of any such proceeds, and to the extent not otherwise included, any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral.

**7.2. Lien on Deposit Accounts; Cash Collateral**.

7.2.1 Deposit Accounts. To further secure the prompt payment and performance of its Obligations, each Obligor hereby grants to Agent a continuing security interest in and Lien upon all amounts credited to any Deposit Account of such Obligor not constituting an Excluded Account, including sums in any blocked, lockbox, sweep or collection account. Each Obligor hereby authorizes and directs each bank or other depository to deliver to Agent, upon request, all balances in any Deposit Account not constituting an Excluded Account maintained for such Obligor, without inquiry into the authority or right of Agent to make such request.

7.2.2 Cash Collateral. Cash Collateral may be invested, at Agent's discretion (with the consent of Obligors, provided no Event of Default exists), but Agent shall have no duty to do so, regardless of any agreement or course of dealing with any Obligor, and shall have no responsibility for any investment or loss. As security for its Obligations, each Obligor hereby grants to Agent a security interest in and Lien upon all Cash Collateral delivered hereunder from time to time and all proceeds thereof, whether held in a Cash Collateral Account or otherwise. Agent may apply Cash Collateral to payment of such Obligations as they become due, in such order as Agent may elect. Each Cash Collateral Account and all Cash Collateral shall be under the sole dominion and control of Agent, and no Obligor or other Person shall have any right to any Cash Collateral until Full Payment of the Obligations.

**7.3. Real Estate Collateral**.

7.3.1 Lien on Real Estate. If any Obligor acquires owned Real Estate after the Closing Date with a value in excess of $1,000,000, Obligors shall, upon the written request of Agent (in its sole discretion), within 30 days of such request, execute, deliver and record a Mortgage sufficient to create a second priority Lien (subject only to first priority Lien of Term Loan Agent for the Term Loan Facility) in favor of Agent on such Real Estate, and shall deliver all Related Real Estate Documents. The Mortgages shall be duly recorded, at Obligors' expense, in each office where such recording is required to constitute a fully perfected Lien on the Real Estate covered thereby.

7.3.2 Flood-Related Matters. Notwithstanding the foregoing, the Agent shall not enter into any Mortgage in respect of any real property acquired by any Borrower or any other Obligor after the Closing Date until (1) the date that occurs 45 days after the Agent has delivered to the Lenders (which may be delivered electronically) the following documents in respect of such real property: (i) a completed flood hazard determination from a third party vendor; (ii) if such real property is located in a "special flood hazard area", (A) a notification to the Borrower Agent (or applicable Obligor) of that fact and (if applicable) notification to the Borrower Agent (or applicable Obligor) that flood insurance coverage is not available and (B) evidence of the receipt by the Borrower Agent (or applicable Obligor) of such notice; and (iii) if such notice is required to be provided to the Borrower Agent (or applicable Obligor) and flood insurance is available in the community in which such real property is located, evidence of required flood insurance and (2) the Agent shall have received written confirmation from the Lenders that flood insurance due diligence and flood insurance compliance have been completed by Lenders (such written confirmation not to be unreasonably conditioned, withheld or delayed).

7.3.3 MIRE Events. If there are any Mortgaged Properties, any increase, extension or renewal of any of the Loan (including the provision of any other incremental credit facilities hereunder, but excluding (i) any continuation or conversion of borrowings, (ii) the making of any Loan or (iii) the issuance, renewal or extension of Letters of Credit) shall be subject to (and conditioned upon): (1) the prior delivery of all flood hazard determination certifications, acknowledgements and evidence of flood insurance and other flood-related documentation with respect to such Mortgaged Properties as required by Flood Insurance Laws and as otherwise reasonably required by the Agent and (2) the Agent shall have received written confirmation from the Lenders, flood insurance due diligence and flood insurance compliance has been completed by the Lenders (such written confirmation not to be unreasonably withheld, conditioned or delayed).

**7.4. Other Collateral**.

7.4.1 Commercial Tort Claims. Obligors shall promptly notify Agent in writing if any Obligor has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000), shall promptly amend **Schedule 9.1.16** to include such claim, and shall take such actions as Agent deems appropriate to subject such claim to a duly perfected, first priority Lien in favor of Agent.

7.4.2 Certain After-Acquired Collateral. Obligors shall promptly notify Agent in writing if, after the Closing Date, any Obligor obtains any interest in any Collateral consisting of Deposit Accounts, Chattel Paper, Documents, Instruments, Intellectual Property, Investment Property or Letter-of-Credit Rights and, upon Agent's request, shall promptly take such actions as Agent deems appropriate to effect Agent's duly perfected, first priority Lien upon such Collateral, including obtaining any appropriate possession, control agreement or Lien Waiver. If any Collateral is in the possession of a third party, at Agent's request, Obligors shall obtain an acknowledgment that such third party holds the Collateral for the benefit of Agent.

7.4.3 Equity Interests . Each Obligor shall, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that each of its Subsidiaries is a wholly-owned Subsidiary and that Agent shall have, for the benefit of Agent and Lenders, a first priority Lien (subject to Permitted Liens) on all Equity Interests of each Subsidiary, provided that neither Borrower nor any Foreign Subsidiary shall be required to pledge more than 65% of the voting Equity Interests of any such Foreign Subsidiary. In the event that any additional Equity Interests shall be issued by any Subsidiary, the applicable Obligor shall or shall cause each of its Subsidiaries to, concurrently with such issuance, deliver to Agent to the extent required by the applicable Loan Documents the certificates evidencing such Equity Interests, accompanied by undated powers executed in blank and to take such other action as Agent shall reasonably request to perfect the security interest created therein pursuant to such Loan Documents.

**7.5. Limitations.** The Lien on Collateral granted hereunder is given as security only and shall not subject Agent or any Lender to, or in any way modify, any obligation or liability of Obligors relating to any Collateral. In no event shall the grant of any Lien under any Loan Document secure an Excluded Swap Obligation of the granting Obligor.

**7.6. Further Assurances.** All Liens granted to Agent under the Loan Documents are for the benefit of Secured Parties. Promptly upon request, Obligors shall deliver such instruments and agreements, and shall take such actions, as Agent deems appropriate under Applicable Law to evidence or perfect its Lien on any Collateral, or otherwise to give effect to the intent of this Agreement. Each Obligor authorizes Agent to file any financing statement that describes the Collateral as "all assets" or "all personal property" of such Obligor, or words to similar effect, and ratifies any action taken by Agent before the Closing Date to effect or perfect its Lien on any Collateral.

**7.7. Excluded Property**. Notwithstanding anything in Section 7.1 or any other provision of this Agreement or any other Loan Document, the "Collateral" shall exclude any Excluded Property; provided, if and when any Property shall cease to be Excluded Property, such Property shall be deemed, at all times from and after such date and so long as such Property of the type set forth in **clauses (a)** through **(q)** of **Section 7.1** does not at any time thereafter become an Excluded Property, to constitute Collateral. For the avoidance of doubt, Excluded Property shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

**7.8.** **Intercreditor Agreement**. The security interests and Liens granted pursuant to this Section 7 are subject to the Intercreditor Agreement.

**SECTION 8. COLLATERAL ADMINISTRATION**

**8.1.** **Borrowing Base Reports**. By the 15th day of each calendar month, Borrowers shall deliver to Agent (and Agent shall promptly deliver same to Lenders) a Borrowing Base Report as of the close of business of the previous calendar month, and at such other times as Agent may request in its Permitted Discretion; provided, that, notwithstanding the foregoing, during any Reporting Trigger Period, the Borrowers shall deliver a Borrowing Base Report prepared as of the close of business each previous Friday, not later than the following Tuesday after each such Friday. All information (including calculation of Availability) in a Borrowing Base Report shall be certified by Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (a) to reflect Agent's reasonable estimate of declines in value of ABL Priority Collateral, due to collections received in the Dominion Account or otherwise; (b) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting ABL Priority Collateral; and (c) to the extent any information or calculation does not comply with this Agreement.

**8.2.** **Accounts**.

8.2.1 Records and Schedules of Accounts. Each Obligor shall keep accurate and complete records of its Accounts, including all payments and collections thereon, and shall submit to Agent sales, collection, reconciliation and other reports in form reasonably satisfactory to Agent, on such periodic basis as Agent may request, but not more frequently than once per calendar month or more frequently during the continuation of an Event of Default or a Reporting Trigger Period. Each Obligor shall also provide to Agent, on or before the 15th day of each calendar month, a detailed aged trial balance of all Accounts as of the end of the preceding calendar month, specifying each Account's Account Debtor name and address, amount, invoice date and due date, showing any discount, allowance, credit, authorized return or dispute, and including such proof of delivery, copies of invoices and invoice registers, copies of related documents, repayment histories, status reports and other information as Agent may request. If Accounts in an aggregate face amount of $500,000 or more cease to be Eligible Accounts, Obligors shall notify Agent of such occurrence promptly (and in any event within one Business Day) after any Obligor has knowledge thereof.

8.2.2 Taxes. If an Account of any Obligor includes a charge for any Taxes, Agent is authorized, in its discretion, to pay the amount thereof to the proper taxing authority for the account of such Obligor and to charge Obligors therefor; provided, however, that neither Agent nor Lenders shall be liable for any Taxes that may be due from Obligors or with respect to any Collateral.

8.2.3 Account Verification. Whether or not a Default or Event of Default exists, Agent shall have the right at any time, in the name of Agent, any designee of Agent or any Obligor, to verify the validity, amount or any other matter relating to any Accounts of Obligors by mail, telephone or otherwise. Obligors shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

8.2.4 Maintenance of Dominion Account. Each Obligor shall maintain (i) all of its Deposit Accounts, including for the maintenance of operating, lockbox administration, funds transfer, information reporting services and other treasury management services, (other than Excluded Accounts) with Bank of America; provided, that the Obligors shall have 120 days after the Closing Date (or such longer period as Agent may determine in its sole discretion) to migrate its respective Deposit Accounts (other than Excluded Accounts) maintained at Wells Fargo Bank, N.A. and listed on **Schedule 8.5** to Bank of America; provided, further, that, subject to the Closing Date Perfection Condition, such Deposit Accounts (other than Excluded Accounts) maintained at Wells Fargo Bank, N.A. shall each be subject to a Deposit Account Control Agreement and (ii) each of its Dominion Accounts with Bank of America pursuant to lockbox or other arrangements reasonably acceptable to Agent. Each Obligor shall obtain an agreement (in form and substance reasonably satisfactory to Agent) from each lockbox servicer and each Deposit Account bank, establishing Agent's control over and Lien in the lockbox or Deposit Account, which may be exercised by Agent during any Cash Dominion Trigger Period, requiring immediate deposit of all remittances received in the lockbox or Deposit Account to a Dominion Account, and waiving offset rights of such servicer or bank, except for customary administrative charges. Agent and Lenders assume no responsibility to Obligors for any lockbox arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to any Payment Items accepted by any bank.

8.2.5 Proceeds of Collateral. Each Obligor shall request in writing and otherwise take all necessary steps to ensure that all payments on Accounts or otherwise relating to ABL Priority Collateral are made directly to a Dominion Account (or a lockbox relating to a Dominion Account). If any Obligor or Subsidiary receives cash or Payment Items with respect to any ABL Priority Collateral, it shall hold same in trust for Agent and promptly (not later than the next Business Day) deposit same into a Dominion Account.

**8.3. Inventory**.

8.3.1 Records and Reports of Inventory. Each Obligor shall keep accurate and complete records of its Inventory, including costs and daily withdrawals and additions, and shall submit to Agent inventory and reconciliation reports in form satisfactory to Agent, on or before the 15$^{th}$ day of each calendar month or more frequently, as requested by Agent, during the continuation of an Event of Default or a Reporting Trigger Period. Each Obligor shall conduct a physical inventory at least once per calendar year (and on a more frequent basis if requested by Agent when an Event of Default exists) and periodic cycle counts consistent with historical practices, and shall provide to Agent a report based on each such inventory and count promptly upon completion thereof, together with such supporting information as Agent may request. Agent may participate in and observe each physical count.

8.3.2 Returns of Inventory. No Obligor shall return any Inventory to a supplier, vendor or other Person, whether for cash, credit or otherwise, unless (a) such return is in the Ordinary Course of Business; (b) no Default, Event of Default or Overadvance exists or would result therefrom; (c) Agent is promptly notified if the aggregate Value of all Inventory returned in any calendar month exceeds $500,000; and (d) any payment received by an Obligor for a return is promptly remitted to Agent for application to the Obligations.

8.3.3 Acquisition, Sale and Maintenance. No Obligor shall acquire or accept any Inventory on consignment or approval, and shall take all steps to assure that all Inventory is produced in accordance with Applicable Law, including the FLSA. No Obligor shall sell any Inventory on consignment or approval or any other basis under which the customer may return or require an Obligor to repurchase such Inventory. Obligors shall use, store and maintain all Inventory with reasonable care and caution, in accordance with applicable standards of any insurance and in conformity with all Applicable Law, and shall make current rent payments (within applicable grace periods provided for in leases) at all locations where any Collateral is located.

**8.4. Equipment**.

8.4.1 Records and Schedules of Equipment. Each Obligor shall keep accurate and complete records of its Equipment, including kind, quality, quantity, cost, acquisitions and dispositions thereof, and shall submit to Agent, on such periodic basis as Agent may request, but not more frequently than once per calendar month or more frequently during the continuation of an Event of Default or a Reporting Trigger Period, a current schedule thereof, in form satisfactory to Agent in its Permitted Discretion. Promptly upon request, Obligors shall deliver to Agent evidence of their ownership or interests in any material Equipment.

8.4.2 Dispositions of Equipment. No Obligor shall sell, lease or otherwise dispose of any Equipment, without the prior written consent of Agent, other than a Permitted Asset Disposition.

8.4.3 Condition of Equipment. The Equipment is in good operating condition and repair, and all necessary replacements and repairs have been made so that the value and operating efficiency of the Equipment is preserved at all times, reasonable wear and tear excepted. Each Obligor shall ensure that the Equipment is mechanically and structurally sound, and capable of performing the functions for which it was designed, in accordance with manufacturer specifications. No Obligor shall permit any Equipment to become affixed to real Property unless any landlord or mortgagee delivers a Lien Waiver.

**8.5. Deposit Accounts**. Set forth on Schedule 8.5 are all Deposit Accounts maintained by Obligors as of the Closing Date, including all Dominion Accounts and Excluded Accounts. Each Obligor shall provide Agent with prompt written notice upon establishing any Deposit Account (other than Excluded Accounts and Deposit Accounts previously set forth on Schedule 8.5) and shall take all actions necessary to establish Agent's control of each such Deposit Account (other than an Excluded Account). One or more Obligors shall be the sole account holders of each Deposit Account and shall not allow any other Person (other than Agent) to have control over a Deposit Account or any Property deposited therein. Each Obligor shall promptly notify Agent of any opening or closing of a Deposit Account and, with the consent of Agent, will amend Schedule 8.5 to reflect same.

**8.6. General Provisions**.

8.6.1 Location of Collateral. All tangible items of Collateral, other than Inventory in transit, shall at all times be kept by Obligors at the business locations set forth in **Schedule 8.6.1**, except that Obligors may (a) make sales or other dispositions of Collateral in accordance with **Section 10.2.6**; (b) move Collateral to another location set forth on **Schedule 8.6.**1, (c) move Collateral to another location in the United States, upon 30 Business Days prior written notice to Agent, (d) transport Collateral to trade shows or other industry expositions for marketing purposes in the Ordinary Course of Business, (e) send Equipment to repair facilities in the Ordinary Course of Business, and(f) allow employees to utilize Collateral at remote locations in the Ordinary Course of Business.

8.6.2 Insurance of Collateral; Condemnation Proceeds. Subject to the Intercreditor Agreement:

(a) Each Obligor shall maintain insurance with respect to the Collateral, covering casualty, hazard, theft, malicious mischief, flood and other risks, in amounts, with endorsements and with insurers (with a Best rating of at least A+, unless otherwise approved by Agent in its discretion) reasonably satisfactory to Agent; provided, that if Real Estate secures any Obligations, flood hazard diligence, documentation and insurance shall comply with the Flood Disaster Protection Act or otherwise shall be satisfactory to all Lenders. All proceeds under each policy shall be payable to Agent. From time to time upon request, Obligors shall deliver to Agent certified copies of its insurance policies and updated flood plain searches. Unless Agent shall agree otherwise, each policy shall include endorsements in form and substance reasonably satisfactory to it (i) showing Agent as loss payee (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies); (ii) requiring 30 days prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever; and (iii) specifying that the interest of Agent shall not be impaired or invalidated by any act or neglect of any Obligor or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Obligor fails to provide and pay for any insurance, Agent may, at its option, but shall not be required to, procure the insurance and charge Obligors therefor. Each Obligor agrees to deliver to Agent, promptly as rendered, copies of all reports made to insurance companies (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies). While no Event of Default exists, Obligors may settle, adjust or compromise any insurance claim, as long as the proceeds (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies) are delivered to Agent, subject to Obligor reinvestment rights in accordance with this Agreement. If an Event of Default exists, only Agent shall be authorized to settle, adjust and compromise such claims (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies).

(b) Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance or kidnap, ransom and terrorism policies) and any awards arising from condemnation of any Collateral shall be paid to Agent upon receipt thereof; provided that, so long as no Event of Default exists, Borrowers shall have the right to elect to reinvest such proceeds in replacement assets within one hundred eighty (180) days following the occurrence of the claim or casualty event. Subject to the Intercreditor Agreement, any such proceeds or awards that relate to any Collateral and not so reinvested shall be applied to payment of the Revolver Loans, and then to other Obligations.

(c) [Reserved].

(d) If at any time the improvements on a Mortgaged Property are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" with respect to which flood insurance has been made available under Flood Insurance Laws, then the applicable Obligor (i) has obtained and will maintain, with financially sound and reputable insurance companies (except to the extent that any insurance company insuring the Mortgaged Property of such Obligor ceases to be financially sound and reputable after the Closing Date, in which case, Holdings or such Obligor shall promptly replace such insurance company with a financially sound and reputable insurance company), such flood insurance in such reasonable total amount as the Agent and the Lenders may from time to time reasonably require, and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) promptly upon request of the Agent or any Lender, will deliver to the Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

8.6.3 Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes payable with respect to any Collateral (including any sale thereof), and all other payments required to be made by Agent to any Person to realize upon any Collateral, shall be borne and paid by Obligors. Agent shall not be liable or responsible in any way for the safekeeping of any Collateral, for any loss or damage thereto (except for reasonable care in its custody while Collateral is in Agent's actual possession), for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency or other Person whatsoever, but the same shall be at Obligors' sole risk.

8.6.4 Defense of Title. Each Obligor shall defend its title to Collateral and Agent's Liens therein against all Persons, claims and demands, except Permitted Liens.

**8.7. Power of Attorney**. Each Obligor hereby irrevocably constitutes and appoints Agent (and all Persons designated by Agent) as such Obligor's true and lawful attorney (and agent-in-fact) for the purposes provided in this Section. Agent, or Agent's designee, may, without notice and in either its or an Obligor's name, but at the cost and expense of Obligors:

(a) Endorse an Obligor's name on any Payment Item or other proceeds of Collateral (including proceeds of insurance) that come into Agent's possession or control; and

(b) During an Event of Default, (i) notify any Account Debtors of the assignment of their Accounts, demand and enforce payment of Accounts by legal proceedings or otherwise, and generally exercise any rights and remedies with respect to Accounts; (ii) settle, adjust, modify, compromise, discharge or release any Accounts or other Collateral, or any legal proceedings brought to collect Accounts or Collateral; (iii) sell or assign any Accounts and other Collateral upon such terms, for such amounts and at such times as Agent deems advisable; (iv) collect, liquidate and receive balances in Deposit Accounts or investment accounts, and take control, in any manner, of proceeds of Collateral; (v) prepare, file and sign an Obligor's name to a proof of claim or other document in a bankruptcy of an Account Debtor, or to any notice, assignment or satisfaction of Lien or similar document; (vi) receive, open and dispose of mail addressed to an Obligor, and notify postal authorities to deliver any such mail to an address designated by Agent; (vii) endorse any Chattel Paper, Document, Instrument, bill of lading, or other document or agreement relating to any Accounts, Inventory or other Collateral; (viii) use an Obligor's stationery and sign its name to verifications of Accounts and notices to Account Debtors; (ix) use information contained in any data processing, electronic or information systems relating to Collateral; (x) make and adjust claims under insurance policies; (xi) take any action as may be necessary or appropriate to obtain payment under any letter of credit, banker's acceptance or other instrument for which an Obligor is a beneficiary; and (xii) take all other actions as Agent deems appropriate to fulfill any Obligor's obligations under the Loan Documents.

**SECTION 9. REPRESENTATIONS AND WARRANTIES**

**9.1. General Representations and Warranties.** To induce Agent and Lenders to enter into this Agreement and to make available the Commitments, Loans and Letters of Credit, each Obligor represents and warrants that:

9.1.1 Organization and Qualification. Each Obligor and Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Obligor and Subsidiary is duly qualified, authorized to do business and in good standing as a foreign corporation in each jurisdiction where failure to be so qualified could reasonably be expected to have a Material Adverse Effect. No Obligor is an EEA Financial Institution.

9.1.2 Power and Authority. Each Obligor is duly authorized to execute, deliver and perform its Loan Documents. The execution, delivery and performance of the Loan Documents and the consummation of the Transactions have been duly authorized by all necessary action, and do not (a) require any consent or approval of any holders of Equity Interests of any Obligor, except those already obtained; (b) contravene the Organic Documents of any Obligor; (c) violate any Applicable Law or cause a default under any Material Contract; or (d) result in or require imposition of a Lien (other than Permitted Liens) on any Obligor's Property.

9.1.3 Enforceability. Each Loan Document is a legal, valid and binding obligation of each Obligor party thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

9.1.4 Capital Structure. **Schedule 9.1.4** shows, for each Obligor and Subsidiary, its name, jurisdiction of organization, authorized and issued Equity Interests, holders of its Equity Interests, and agreements binding on such holders with respect to such Equity Interests as of the Closing Date (immediately after giving effect to the Closing Date Acquisition). Except as disclosed on **Schedule 9.1.4**, in the five years preceding the Closing Date, no Obligor or Subsidiary has acquired any substantial assets from any other Person nor been the surviving entity in a merger or combination. Each Obligor has good title to its Equity Interests in its Subsidiaries, subject only to Agent's Lien and the Term Loan Agent's Lien, and all such Equity Interests are duly issued, fully paid and non-assessable. There are no outstanding purchase options, warrants, subscription rights, agreements to issue or sell, convertible interests, phantom rights or powers of attorney relating to Equity Interests of any Obligor or Subsidiary.

9.1.5 Title to Properties; Priority of Liens. Each Obligor and Subsidiary has good and marketable title to (or valid leasehold interests in) all of its Real Estate, and good title to all of its personal Property, including all Property reflected in any financial statements delivered to Agent or Lenders, in each case free of Liens except Permitted Liens. No Real Estate is located in a special flood hazard zone, except as disclosed on **Schedule 9.1.5**. Each Obligor and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. Subject to the Closing Date Perfection Condition, all Liens of Agent in the ABL Priority Collateral are duly perfected, first priority Liens and all Liens of Agent in the Term Loan Priority Collateral are duly perfected Liens having the priority set forth in the Intercreditor Agreement, in each case, subject only to Permitted Liens that are expressly allowed to have priority over Agent's Liens.Accounts. Agent may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by Obligors with respect thereto. Each Obligor warrants, with respect to each Account shown as an Eligible Account in a Borrowing Base Report, that:

(a) it is genuine and in all respects what it purports to be;

(b) it arises out of a completed, bona fide sale and delivery of goods or rendition of services in the Ordinary Course of Business, and substantially in accordance with any purchase order, contract or other document relating thereto;

(c) it is for a sum certain, maturing as stated in the applicable invoice, a copy of which has been furnished or is available to Agent on request;

(d) it is not subject to any offset, Lien (other than Agent's Lien and the Term Loan Agent's Lien), deduction, defense, dispute, counterclaim or other adverse condition except as arising in the Ordinary Course of Business and disclosed to Agent; and it is absolutely owing by the Account Debtor, without contingency of any kind;

(e) no purchase order, agreement, document or Applicable Law restricts assignment of the Account to Agent (regardless of whether, under the UCC, the restriction is ineffective), and the applicable Obligor is the sole payee or remittance party shown on the invoice;

(f) no extension, compromise, settlement, modification, credit, deduction or return has been authorized or is in process with respect to the Account, except discounts or allowances granted in the Ordinary Course of Business for prompt payment that are reflected on the face of the invoice related thereto and in the reports submitted to Agent hereunder; and

(g) to the best of Obligors' knowledge, (i) there are no facts or circumstances that are reasonably likely to impair the enforceability or collectability of such Account; (ii) the Account Debtor had the capacity to contract when the Account arose, continues to meet the applicable Obligor's customary credit standards, is Solvent, is not contemplating or subject to an Insolvency Proceeding, and has not failed, or suspended or ceased doing business; and (iii) there are no proceedings or actions threatened or pending against any Account Debtor that could reasonably be expected to have a material adverse effect on the Account Debtor's financial condition.

9.1.7 Financial Statements. The consolidated and consolidating balance sheets, and related statements of income, cash flow and shareholders equity, of Hydrofarm and its Subsidiaries have been delivered and of Obligors and Subsidiaries that are hereafter delivered to Agent and Lenders, are prepared in accordance with GAAP, and fairly present the financial positions and results of operations of Obligors and Subsidiaries at the dates and for the periods indicated, subject to the lack of footnotes and year end audit adjustments, if any. All projections delivered from time to time to Agent and Lenders have been prepared in good faith, based on reasonable assumptions in light of the circumstances at such time, it being acknowledged and agreed by Agent and Lenders that projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by such projections may differ widely from projected results. Since December 31, 2015, there has been no change in the condition, financial or otherwise, of (i) Hydrofarm and its Subsidiaries or (ii) any Obligor or Subsidiary that, in any case, could reasonably be expected to have a Material Adverse Effect. No financial statement delivered to Agent or Lenders at any time contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make such statement not materially misleading. Obligors and Subsidiaries, taken as a whole, are Solvent.

9.1.8 Surety Obligations. No Obligor or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

9.1.9 Taxes. Each Obligor and Subsidiary has filed all federal, state and material local tax returns and other reports that it is required by law to file, and has paid, or made provision for the payment of, all Taxes upon it, its income and its Properties that are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Obligor and Subsidiary is adequate for all years not closed by applicable statutes, and for its current Fiscal Year.

9.1.10 Brokers. There are no brokerage commissions, finder's fees or investment banking fees payable in connection with any transactions contemplated by the Loan Documents.

9.1.11 Intellectual Property. To such Obligor's knowledge, each Obligor and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Obligor's knowledge, threatened Intellectual Property Claim with respect to any Obligor, any Subsidiary or any of its Property (including any Intellectual Property). Except as disclosed on **Schedule 9.1.11**, no Obligor or Subsidiary pays or owes any Royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property that is licensed by or is subject to a pending application or current registration that is owned by any Obligor or Subsidiary is shown on **Schedule 9.1.11**. To any Obligor's knowledge, there is no third party Intellectual Property licensed to an Obligor that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Obligor, and no licensed third party Intellectual Property is necessary for Agent to exercise its rights to enforce Agent's Liens with respect to the ABL Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

9.1.12 Governmental Approvals. Each Obligor and Subsidiary has, is in compliance with, and is in good standing with respect to, all Governmental Approvals necessary to conduct its business and to own, lease and operate its Properties. All necessary import, export or other licenses, permits or certificates for the import or handling of any goods or other Collateral have been procured and are in effect, and Obligors and Subsidiaries have complied with all foreign and domestic laws with respect to the shipment and importation of any goods or Collateral, except where noncompliance could not reasonably be expected to have a Material Adverse Effect.

9.1.13 Compliance with Laws. Each Obligor and Subsidiary has duly complied, and its Properties and business operations are in compliance, in all material respects with all Applicable Law, except where noncompliance could not reasonably be expected to have a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Obligor or Subsidiary under any Applicable Law. No Inventory has been produced in violation of the FLSA.

9.1.14 Compliance with Environmental Laws. Except as disclosed on **Schedule 9.1.14**, no Obligor's or Subsidiary's past or present operations, Real Estate or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. No Obligor or Subsidiary has received any Environmental Notice. No Obligor or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Estate now or previously owned, leased or operated by it.

9.1.15 Burdensome Contracts. No Obligor or Subsidiary is a party or subject to any contract, agreement or charter restriction that could reasonably be expected to have a Material Adverse Effect or that prohibits the execution, delivery or performance of any Loan Document by an Obligor.

9.1.16 Litigation. Except as shown on **Schedule 9.1.16**, there are no proceedings or investigations pending or, to any Obligor's knowledge, threatened against any Obligor or Subsidiary, or any of their businesses, operations, Properties, prospects or conditions, that (a) relate to any Loan Documents or transactions contemplated thereby (including the Transactions); or (b) could reasonably be expected to have a Material Adverse Effect if determined adversely to any Obligor or Subsidiary. Except as shown on such Schedule, no Obligor has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000). No Obligor or Subsidiary is in default with respect to any order, injunction or judgment of any Governmental Authority.

9.1.17 No Defaults. No event or circumstance has occurred or exists that constitutes a Default or Event of Default. No Obligor or Subsidiary is in default, and no event or circumstance has occurred or exists that with the passage of time or giving of notice would constitute a default, under any Material Contract or in the payment of any Borrowed Money. There is no basis upon which any party (other than an Obligor or Subsidiary) could terminate a Material Contract prior to its scheduled termination date.

9.1.18 ERISA. Except as disclosed on **Schedule 9.1.18**:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of Obligors, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Obligor and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made by any Obligor or ERISA Affiliate with respect to any Pension Plan.

(b) There are no pending or, to the knowledge of Obligors, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%; and no Obligor or ERISA Affiliate knows of any reason that such percentage could reasonably be expected to drop below 60%; (iii) no Obligor or ERISA Affiliate has incurred any liability to the PBGC except for the payment of premiums, and no premium payments are due and unpaid; (iv) no Obligor or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA; and (v) no Pension Plan has been terminated by its plan administrator or the PBGC, and no fact or circumstance exists that could reasonably be expected to cause the PBGC to institute proceedings to terminate a Pension Plan.

(d) With respect to any Foreign Plan, (i) all employer and employee contributions required by law or by the terms of the Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices; (ii) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance, or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles; and (iii) it has been registered as required and has been maintained in good standing with applicable regulatory authorities.

9.1.19 Trade Relations. There exists no actual or threatened termination, limitation or modification of any business relationship between any Obligor or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Obligor or Subsidiary. There exists no condition or circumstance that could reasonably be expected to impair the ability of any Obligor or Subsidiary to conduct its business at any time hereafter in substantially the same manner as conducted on the Closing Date.

9.1.20 Labor Relations. Except as described on **Schedule 9.1.20**, no Obligor or Subsidiary is party to or bound by any collective bargaining agreement, management agreement or consulting agreement. There are no material grievances, disputes or controversies with any union or other organization of any Obligor's or Subsidiary's employees, or, to any Obligor's knowledge, any asserted or threatened strikes, work stoppages or demands for collective bargaining.

9.1.21 Payable Practices. No Obligor or Subsidiary has made any material change in its historical accounts payable practices from those in effect on the Closing Date.

9.1.22 Not a Regulated Entity. No Obligor is (a) an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940; or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other Applicable Law regarding its authority to incur Debt.

9.1.23 Margin Stock. No Obligor or Subsidiary is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No Loan proceeds or Letters of Credit will be used by Obligors to purchase or carry, or to reduce or refinance any Debt incurred to purchase or carry, any Margin Stock or for any related purpose governed by Regulations T, U or X of the Board of Governors.

9.1.24 OFAC. No Obligor, Subsidiary, or any director, officer, employee, agent, affiliate or representative thereof, is or is owned or controlled by any individual or entity that is currently the subject or target of any Sanction or is located, organized or resident in a Designated Jurisdiction.

9.1.25 Anti-Corruption Laws. Each Obligor and Subsidiary has conducted its business in accordance with applicable anti -corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

9.1.26 Purchase Agreement . As of the Closing Date, Borrower Agent has furnished Agent a true and correct copy of the Purchase Agreement. The consummation of the transactions contemplated by the Purchase Agreement on the Closing Date will not violate any statute or regulation of the United States (including any securities law) or of any state or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Borrower or, to any Borrower's knowledge, any other party to the Purchase Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Borrower is a party or by which any Borrower is bound or, to any Borrower's knowledge, to which any other party to the Related Transactions is a party or by which any such party is bound. To the knowledge of Borrowers, the Purchase Agreement was duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

9.1.27 Holdings. Holdings (a) has not engaged in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the Related Agreements; (b) does not hold any assets other than (i) all of the issued and outstanding Equity Interests of Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Term Loan Documents and Related Agreements, and (iii) cash and Cash Equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents); and (c) has no liabilities other than under the Loan Documents, the Term Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

9.1.28 Term Loan Documents. The Term Loan Facility and each additional Term Loan Document dated as of the date hereof are being executed and delivered concurrently with the execution and delivery of this Agreement, true, correct and complete copies of which have been delivered to Agent. The transactions contemplated by the Term Loan Documents comply in all material respects with all Applicable Law.

9.1.29 Marijuana Sales. No Obligor or Subsidiary (other than any Foreign Subsidiary), to its knowledge, sells directly to marijuana growers, producers, sellers or to retailers that sell only to the marijuana industry.

**9.2. Complete Disclosure.** No Loan Document contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make the statements contained therein not materially misleading. There is no fact or circumstance that any Obligor has failed to disclose to Agent in writing that could reasonably be expected to have a Material Adverse Effect.

**SECTION 10. COVENANTS AND CONTINUING AGREEMENTS**

**10.1. Affirmative Covenants.** Until Full Payment of all Obligations, each Obligor shall, and shall cause each Subsidiary to:

10.1.1 Inspections; AppraisalsPermit Agent from time to time, subject (unless a Default or Event of Default exists) to reasonable notice and normal business hours, to visit and inspect the Properties of any Obligor or Subsidiary, inspect, audit and make extracts from any Obligor's or Subsidiary's books and records, and discuss with its officers, employees, agents, advisors and independent accountants such Obligor's or Subsidiary's business, financial condition, assets, prospects and results of operations (provided that, except when an Event of Default exists, a representative of Borrower Agent is given the opportunity to be present during any discussion with any such agent, adviser or independent accountant). Lenders may participate in any such visit or inspection, at their own expense. Neither Agent nor any Lender shall have any duty to any Obligor to make any inspection, nor to share any results of any inspection, appraisal or report with any Obligor. Obligors acknowledge that all inspections, appraisals and reports are prepared by Agent and Lenders for their purposes, and Obligors shall not be entitled to rely upon them.

(b) Reimburse Agent for all reasonable charges, costs and expenses of Agent in connection with (i) examinations of any Obligor's books and records or any other financial or Collateral matters as Agent deems appropriate, up to one time per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); and (ii) appraisals of Inventory up to one time per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); provided, however, that if an examination or appraisal is initiated during a Default or Event of Default (or as a result of a Collateral Trigger Period), all charges, costs and expenses therefor shall be reimbursed by Obligors without regard to such limits. Obligors agree to pay Agent's then standard charges for examination activities, including the standard charges of Agent's internal examination and appraisal groups, as well as the charges of any third party used for such purposes. No Borrowing Base calculation shall include Collateral acquired in a Permitted Acquisition or otherwise outside the Ordinary Course of Business until completion of applicable field examinations and appraisals (which shall not be included in the limits provided above) satisfactory to Agent.

10.1.2 Financial and Other Information. Keep adequate records and books of account with respect to its business activities, in which proper entries are made in accordance with GAAP reflecting all financial transactions; and furnish to Agent and Lenders:

(a) as soon as available, and in any event within 120 days after the close of each Fiscal Year (commencing with the Fiscal Year ended December 31, 2016), balance sheets as of the end of such Fiscal Year and the related statements of income, cash flow and shareholders equity for such Fiscal Year, on consolidated and consolidating bases for Holdings, Borrowers and Subsidiaries, which consolidated statements shall be audited and certified (without qualification) by a firm of independent certified public accountants of recognized standing selected by Borrowers and acceptable to Agent, and shall set forth in comparative form corresponding figures for the preceding Fiscal Year and the figures for such Fiscal Year set forth in the projections most recently delivered pursuant to **Section 10.1.2(e)** and other information acceptable to Agent; provided, that notwithstanding the foregoing, Borrowers shall have until June 30, 2017 to deliver the foregoing financials with respect to the Fiscal Year ended December 31, 2016 and such financials shall be prepared for Hydrofarm and its Subsidiaries;

(b) as soon as available, and in any event within 30 days after the end of each month (but within 45 days after the last month in a Fiscal Year), commencing with the month ended March 31, 2017, unaudited balance sheets as of the end of such fiscal month and the related statements of income and cash flow for such fiscal month and for the portion of the Fiscal Year then elapsed, on consolidated and consolidating bases for Holdings, Borrowers and Subsidiaries, setting forth in comparative form corresponding figures for the preceding Fiscal Year and the figures for such Fiscal Year set forth in the projections most recently delivered pursuant to **Section 10.1.2(e)** and certified pursuant to **clause (c)** below by the chief financial officer of Borrower Agent as prepared in accordance with GAAP and fairly presenting the financial position and results of operations for such fiscal month and period, subject to normal year-end adjustments and the absence of footnotes;

(c) concurrently with delivery of financial statements under **clauses (a)** and **(b)** above (to the extent such fiscal month coincides with the end of a Fiscal Quarter), or more frequently if requested by Agent while a Financial Covenant Trigger Period is in effect, a Compliance Certificate executed by the chief financial officer of Borrower Agent (it being understood and agreed that a Compliance Certificate is required to be delivered pursuant to this clause (c) regardless of whether a Financial Covenant Trigger Period is in effect);

(d) concurrently with delivery of financial statements under clause (a) above, copies of all management letters and other material reports submitted to Borrowers by their accountants in connection with such financial statements;

(e) not later than thirty days after the start of each Fiscal Year, projections of Holdings' and the Borrowers' consolidated balance sheets, results of operations, cash flow and Availability for the next Fiscal Year, fiscal month by fiscal month, together with a statement of all underlying assumptions, and promptly following the preparation thereof, updates to any of the foregoing from time to time prepared by management of any Obligor;

(f) at Agent's request, a listing of each Borrower's trade payables, specifying the trade creditor and balance due, and a detailed trade payable aging, all in form satisfactory to Agent;

(g) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Borrower or any other Obligor has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Borrower or any other Obligor files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by a Borrower or any other Obligor to the public concerning material changes to or developments in the business of such Obligor;

(h) promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(i) concurrently with delivery of financial statements under clauses (a) and, for the fiscal months ending any Fiscal Quarter, (b) above, a management report, in reasonable detail, signed by the chief financial officer of the Borrower Agent, describing the operations and financial condition of the Obligors and their Subsidiaries for the fiscal month and the portion of the Fiscal Year then ended (or for the Fiscal Year then ended in the case of annual financial statements), together with a discussion comparing such results as compared to the applicable figures for such period set forth in the projections most recently delivered pursuant to Section 10.1.2(e);

(j) promptly upon any officer of any Obligor obtaining knowledge that any Obligor has either (i) registered any Intellectual Property with any Governmental Authority or (ii) acquired any interest in real property (including leasehold interests in real property), a certificate of a Senior Officer describing such Intellectual Property and/or such real property in such detail as Agent shall reasonably require;

(k) such other reports and information (financial or otherwise) as Agent may request from time to time in connection with any Collateral or any Borrower's, Subsidiary's or other Obligor's financial condition or business;

(l) not later than five (5) Business Days after receipt thereof by any Obligor or any Subsidiary thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement (including, without limitation, the Term Loan Documents) and, from time to time upon request by Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as Agent may reasonably request;

(m) promptly after the sending or filing thereof, any certifications or other documents (including any exhibits or other backup thereto) regarding the post-closing settlement or other "true-up" of consideration paid under the Purchase Agreement;

(n) promptly upon the completion thereof, any third-party audit or other review of the Closing Date balance sheet of the Obligors; and

(o) as soon as available, and in any event within 120 days after the close of each Fiscal Year, financial statements for each Guarantor, in form and substance satisfactory to Agent.

10.1.3 Notices . Notify Agent and Lenders in writing, promptly after an Obligor's obtaining knowledge thereof, of any of the following that affects an Obligor: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could reasonably be expected to have a Material Adverse Effect; (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract; (c) any default under or termination of a Material Contract; (d) the existence of any Default or Event of Default or any "Default" or "Event of Default" under and as defined in any Term Loan Documents; (e) any judgment in an amount exceeding $500,000; (f) the assertion of any Intellectual Property Claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect; (g) any violation or asserted violation of any Applicable Law (including ERISA, OSHA, FLSA, or any Environmental Laws), if an adverse resolution could reasonably be expected to have a Material Adverse Effect; (h) any Environmental Release by an Obligor or on any Real Estate owned, leased or occupied by an Obligor; or receipt of any Environmental Notice; (i) the occurrence of any ERISA Event; (j) the discharge of or any withdrawal or resignation by Borrowers' independent accountants; or (k) any opening of a new office or place of business, at least 30 days prior to such opening.

10.1.4 Landlord and Storage Agreements. Upon request, provide Agent with copies of all existing agreements, and promptly after execution thereof provide Agent with copies of all future agreements, between an Obligor and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral.

10.1.5 Compliance with Laws. Comply with all Applicable Laws, including ERISA, Environmental Laws, FLSA, OSHA, Anti-Terrorism Laws, and laws regarding collection and payment of Taxes, and maintain all Governmental Approvals necessary to the ownership of its Properties or conduct of its business, unless failure to comply (other than failure to comply with Anti-Terrorism Laws) or maintain could not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release occurs at or on any Properties of any Obligor or Subsidiary, it shall act promptly and diligently to investigate and report to Agent and all appropriate Governmental Authorities the extent of, and to make appropriate remedial action to eliminate, such Environmental Release, whether or not directed to do so by any Governmental Authority.

10.1.6 Taxes. Pay and discharge all Taxes prior to the date on which they become delinquent or penalties attach, unless such Taxes are being Properly Contested and file all Tax and information returns.

10.1.7 Insurance. In addition to the insurance required hereunder with respect to Collateral, maintain insurance with insurers (with a Best rating of at least A+, unless otherwise approved by Agent in its discretion) satisfactory to Agent, (a) with respect to the Properties and business of Obligors and Subsidiaries of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance), in such amounts, and with such coverages and deductibles as are customary for companies similarly situated; and (b) business interruption insurance in an amount not less than that maintained by prudent companies similarly situated, with deductibles and subject to an endorsement or Insurance Assignment reasonably satisfactory to Agent.

10.1.8 Licenses. Keep each material License affecting any Collateral (including the manufacture, distribution or disposition of Inventory) or any other material Property of Obligors and Subsidiaries in full force and effect; promptly notify Agent of any proposed modification to any such material License, or entry into any new material License, in each case at least 30 days prior to its effective date; pay all Royalties and other amounts when due under any material License; and notify Agent of any default or breach asserted by any Person to have occurred under any material License.

10.1.9 Future Subsidiaries. Promptly notify Agent upon any Person becoming a Subsidiary and, if such Person is not a Foreign Subsidiary, cause it to guaranty the Obligations or become a Borrower hereunder, in either case, in a manner reasonably satisfactory to Agent, and to execute and deliver a joinder in the form of Exhibit G hereto and such other documents, instruments and agreements and to take such other actions as Agent shall require to evidence and perfect a Lien (having the priority set forth in the Intercreditor Agreement) in favor of Agent on all assets of such Person, including delivery of such legal opinions, in form and substance reasonably satisfactory to Agent, as it shall deem appropriate. Notwithstanding anything to the contrary set forth herein, no Subsidiary may guarantee (or be a borrower under) the Term Loan Facility that does not also guarantee the Obligations (or is a Borrower hereunder).

10.1.10 Anti-Corruption Laws. Conduct its business in compliance with applicable anti-corruption laws and maintain policies and procedures designed to promote and achieve compliance with such laws.

10.1.11 Lender Meetings. Within fifteen (15) days after the delivery to Agent and Lenders of financial statements pursuant to **Section 10.1.2(a)**, and at any time or times during the existence of an Event of Default, each Obligor shall, in each case to the extent requested by either Agent or Required Lenders, conduct a meeting of Agent and Lenders to discuss the most recently reported financial results and the financial condition of Holdings, the Borrowers and their Subsidiaries, at which shall be present a Senior Officer of Holdings and such other officers of the Obligors as may be reasonably requested to attend by Agent or Required Lenders, such request or requests to be made within a reasonable time prior to the scheduled date of such meeting. Such meetings shall be held at a time and place convenient to Lenders and to Borrowers.

10.1.12 Senior Credit Enhancements . If the Term Loan Agent or any Term Loan Lender under the Term Loan Documents receives any additional guaranty, Collateral or other credit enhancement after the Closing Date, each Obligor shall cause the same to be granted to Agent and the Lenders, subject to the terms of the Intercreditor Agreement.

10.1.13 Compliance Regarding Marijuana Sales. Institute and maintain policies and procedures (satisfactory to the Agent) designed to promote and achieve compliance with the representations set forth at **Section 9.1.29**.

**10.2. Negative Covenants. Until Full Payment of all Obligations, each Obligor shall not, and shall cause each Subsidiary not to:**

10.2.1 Permitted Debt. Create, incur, guarantee or suffer to exist any Debt, except:

(a) the Obligations;

(b) Subordinated Debt in an aggregate amount outstanding at any time not in excess of $20,000,000;

(c) Permitted Purchase Money Debt;

(d) Borrowed Money (other than the Obligations, Subordinated Debt and Permitted Purchase Money Debt and Term Loan Obligations) set forth on **Schedule 10.2.1**, but only to the extent outstanding on the Closing Date and not satisfied with proceeds of the initial Loans;

(e) Debt with respect to Bank Products incurred in the Ordinary Course of Business;

(f) Debt that is in existence when a Person becomes a Subsidiary or that is secured by an asset when acquired by a Borrower or Subsidiary, as long as such Debt was not incurred in contemplation of such Person becoming a Subsidiary or such acquisition, and does not exceed $1,000,000 in the aggregate at any time;

(g) Permitted Contingent Obligations;

(h) Term Loan Obligations so long as the loans thereunder do not exceed the Term Loan Maximum Amount (as defined in the Intercreditor Agreement), subject to the limitations set forth in the Intercreditor Agreement;

(i) Refinancing Debt as long as each Refinancing Condition is satisfied;

(j) intercompany Debt permitted pursuant to **Section 10.2.7(d)** hereof;

(k) Debt in respect of appeal bonds, workers' compensation claims, self- insurance obligations and bankers acceptances, in each case, issued for the account of any Obligor in the Ordinary Course of Business, including guarantees or obligations of any Obligor with respect to Letters of Credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(l) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business;

(m) Subordinated Debt of any Obligor to repurchase Equity Interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director, so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this **clause (m)** does not exceed $1,000,000 in the aggregate at any time;

(n) Debt consisting of accrued and unpaid management fees permitted under the Management Agreements;

(o) Debt consisting of any final judgment rendered against any Obligor that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constituting an Event of Default in accordance with Section 11.1(g) hereof;

(p) Debt of a Borrower or any of its Subsidiaries consisting of obligations under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions, Permitted Acquisitions, or any other Investment expressly permitted hereunder incurred under or in respect of deferred compensation plans entered into in the Ordinary Course of Business;

(q) Debt that is not included in any of the preceding clauses of this Section, is not secured by a Lien and does not exceed $1,000,000 in the aggregate at any time; and

(r) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in **clauses (a)** through **(q)** above.

10.2.2 Permitted Liens. Create or suffer to exist any Lien upon any of its Property, except the following (collectively, "Permitted Liens"):

(a) Liens in favor of Agent;

(b) Purchase Money Liens securing Permitted Purchase Money Debt;

(c) Liens for Taxes not yet due or being Properly Contested;

(d) statutory Liens (other than Liens for Taxes or imposed under ERISA) arising in the Ordinary Course of Business, but only if (i) payment of the obligations secured thereby is not yet due or is being Properly Contested, and (ii) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Obligor or Subsidiary;

(e) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to Agent's Liens and are required or provided by law;

(f) Liens arising in the Ordinary Course of Business that are subject to Lien Waivers;

(g) Liens arising by virtue of a judgment or judicial order against any Obligor or Subsidiary, or any Property of an Obligor or Subsidiary, as long as such Liens are (i) in existence for less than 20 consecutive days or being Properly Contested, and (ii) at all times junior to Agent's Liens;

(h) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Estate, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business;

(i) normal and customary rights of setoff upon deposits in favor of depository institutions, and Liens of a collecting bank on Payment Items in the course of collection;

(j) Liens on assets (other than Accounts and Inventory) acquired in a Permitted Acquisition, securing Debt permitted by **Section 10.2.1(f)**;

(k) Liens in favor of the Term Loan Agent securing Debt permitted by **Section 10.2.1(h)** to the extent such Liens are subject to the Intercreditor Agreement;

(l) existing Liens shown on **Schedule 10.2.2**;

(m) leases, subleases, licenses or sublicenses of the Property of any Obligor, in each case entered into in the Ordinary Course of Business of such Obligor which do not (i) interfere in any material respect with the business of any Obligor or any Subsidiary and (ii) secure any Debt;

(n) licenses or sublicenses of Intellectual Property granted by any Obligor in the Ordinary Course of Business;

(o) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods;

(p) Liens for the benefit of a seller attaching solely to cash earnest money deposits in connection with a letter of intent or acquisition agreement with respect to a Permitted Acquisition; and

(q) Liens on an insurance policy of any Obligor and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Debt permitted to finance the premiums of such policies.

10.2.3 [Intentionally Omitted.]

10.2.4 Distributions. Declare or make any Distributions, except Permitted Distributions; or create or suffer to exist any encumbrance or restriction on the ability of a Subsidiary to make any Permitted Distributions, except for restrictions under the Loan Documents, under the Term Loan Documents, under Applicable Law or in effect on the Closing Date as shown on **Schedule 9.1.15**.

10.2.5 Restricted Investments. Make any Restricted Investment.

10.2.6 Disposition of Assets. Make any Asset Disposition, except a Permitted Asset Disposition, a disposition of Equipment under **Section 8.4.2**, or a transfer of Property by a Subsidiary or Obligor to an Obligor.

10.2.7 Loans. Make any loans or other advances of money to any Person, except (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business; (b) prepaid expenses and extensions of trade credit made in the Ordinary Course of Business; (c) deposits with financial institutions permitted hereunder; (d) intercompany loans by an Obligor to another Obligor; (e) non-cash loans consisting of promissory notes from officers, directors and employees for the purchase of newly issued Equity Interests of

Holdings, so long as no Change of Control occurs thereby; and (f) any loan or advances permitted pursuant to **Section 10.2.5**.

10.2.8 Restrictions on Payment of Certain Debt. Make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance or acquisition) with respect to any:

(a) Subordinated Debt (other than any Permitted Affiliate Sub Debt, which shall be subject to **clause (c)** below), except regularly scheduled payments of principal, interest and fees, but only to the extent permitted under any subordination agreement relating to such Debt (and a Senior Officer of Borrower Agent shall certify to Agent, not less than five Business Days prior to the date of payment, that all conditions under such agreement have been satisfied);

(b) Term Loan Obligations except (i) any such payments (other than voluntary prepayments, which are governed by **clause (ii)** below) to the extent such payments are not prohibited from being paid pursuant to the terms of the Intercreditor Agreement and (ii) voluntary prepayments to the extent the Specified Transaction Conditions are satisfied in connection therewith;

(c) any Permitted Affiliate Sub Debt; and

(d) Borrowed Money (other than the Obligations, Subordinated Debt, the Term Loan Obligations or the Permitted Affiliate Sub Debt),

except (i) required payments under the agreements evidencing such Debt as in effect on the Closing Date (or as amended thereafter with the consent of Agent), (ii) payments in an aggregate amount not to exceed $500,000 in any Fiscal Year or (iii) other payments to the extent the Specified Transaction Conditions are satisfied in connection therewith.

10.2.9 Fundamental Changes. Change its name or conduct business under any fictitious name; change its tax, charter or other organizational identification number; change its form or state of organization; liquidate, wind up its affairs or dissolve itself; or merge, combine or consolidate with any Person, whether in a single transaction or in a series of related transactions, except for (a) a merger, combination, consolidation, liquidation, or dissolution of a Borrower into another Borrower, a wholly-owned Subsidiary of a Borrower into another wholly owned Subsidiary of such Borrower (provided that if any such Person is an Obligor, the Obligor shall be the surviving entity); or (b) Permitted Acquisitions.

10.2.10 Subsidiaries. Form or acquire any Subsidiary after the Closing Date, except in accordance with **Sections 10.1.9**, **10.2.5** and **10.2.9**; or permit any existing Subsidiary to issue any additional Equity Interests except directors' qualifying shares.

10.2.11 Organic Documents. Amend, modify or otherwise change any of its Organic Documents, except (a) in a manner not adverse to the interests of Agent or the Lenders, (b) in connection with a transaction permitted under Section 10.2.9, (c) the amendment and restatement of the limited liability company agreements of Holdings and Borrower Agent on the Closing Date contemporaneous with the consummation of the Closing Date Acquisition, to the extent such amendments and restatements were disclosed in writing to Agent and the Lenders prior to the Closing Date or (d) any amendment of any Organic Documents of Holdings necessary to facilitate the issuance of Equity Interests of Holdings so long as such amendment is not adverse to the interests of Agent or the Lenders.

10.2.12 Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Holdings, Borrowers and Subsidiaries.

10.2.13 Accounting Changes. Make any material change in accounting treatment or reporting practices, except as required by GAAP and in accordance with **Section 1.2**; or change its Fiscal Year or any Fiscal Quarter.

10.2.14 Restrictive Agreements. Become a party to any Restrictive Agreement, except a Restrictive Agreement (a) in effect on the Closing Date; (b) relating to secured Debt (other than the Term Loan Obligations) permitted hereunder, as long as the restrictions apply only to collateral for such Debt; (c) constituting customary restrictions on assignment in leases and other contracts; (d) constituting a Term Loan Document; (e) as required by Applicable Law; (f) customary provisions restricting assignment of any agreement entered into by any Obligor or Subsidiary in the Ordinary Course of Business; (g) any holder of a Lien permitted by **Section 10.2.2** restricting the transfer of the property subject thereto; (h) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under **Section 10.2.6** pending the consummation of such sale; or (i) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the Ordinary Course of Business; provided that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

10.2.15 Hedging Agreements. Enter into any Hedging Agreement, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

10.2.16 Conduct of Business. Engage in any business, other than its business as conducted on the Closing Date and any activities incidental thereto.

10.2.17 Affiliate Transactions. Enter into or be party to any transaction with an Affiliate, except (a) transactions expressly permitted by the Loan Documents; (b) payment of reasonable compensation to officers and employees for services actually rendered, and payment of customary directors' fees and indemnities; (c) transactions solely among Obligors; (d) transactions with Affiliates consummated prior to the Closing Date, as shown on **Schedule 10.2.17**; and (e) transactions with Affiliates in the Ordinary Course of Business, upon fair and reasonable terms fully disclosed to Agent and no less favorable than would be obtained in a comparable arm's-length transaction with a non-Affiliate.

10.2.18 Plans. Become party to any Multiemployer Plan or Foreign Plan, other than any in existence on the Closing Date.

10.2.19 Amendments to Debt and Certain other Agreements. (a) Amend, supplement or otherwise modify any document, instrument or agreement relating to any Subordinated Debt (other than any Permitted Affiliate Sub Debt, which is governed by clause (b) below)), if such modification (i) increases the principal balance of such Debt, or increases any required payment of principal or interest; (ii) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions; (iii) shortens the final maturity date or otherwise accelerates amortization; (iv) increases the interest rate; (v) increases or adds any fees or charges; (vi) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Obligor or Subsidiary, or that is otherwise materially adverse to any Obligor, any Subsidiary or Lenders; or (vii) results in the Obligations not being fully benefited by the subordination provisions thereof.

(b) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Permitted Affiliate Sub Debt.

(c) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Term Loan Obligations (including, without limitation, the Term Loan Documents) except to the extent permitted by the Intercreditor Agreement.

(d) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any Management Agreement in any manner that is adverse to Agent or the Lenders (it being understood that any amendment or modification to any Management Agreement that has the effect of either (x) increasing the fees or other amounts payable to any Manager thereunder or (y) modifying the subordination provisions set forth therein shall, in any event, be adverse to Agent or the Lenders).

(e) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Closing Date Acquisition (including the Purchase Agreement) in any manner that (i) is contrary to the terms of this Agreement or any other Loan Document; or (ii) could reasonably be expected to have a Material Adverse Effect or otherwise be materially adverse to the rights, interests or privileges of Agent or Lenders or their ability to enforce the Loan Documents.

10.2.20 Holdings. Permit Holdings to: (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the Related Agreements; (b) hold any assets other than (i) all of the issued and outstanding Equity Interests of Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Term Loan Documents and Related Agreements, and (iii) cash and Cash Equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents); and (c) incur any liabilities other than under the Loan Documents, the Term Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

**10.3. Fixed Charge Coverage Ratio**. As long as any Commitments or Obligations are outstanding, Obligors shall:

(a) while any FILO Loans are outstanding, maintain a Fixed Charge Coverage Ratio for each 12 month period of at least 1.0 to 1.0; and

(b) at all other times, maintain a Fixed Charge Coverage Ratio for each 12 month period of at least 1.0 to 1.0 while a Financial Covenant Trigger Period is in effect, measured for the most recent period for which financial statements were delivered hereunder prior to the Financial Covenant Trigger Period and each such period ending thereafter until the Financial Covenant Trigger Period is no longer in effect.

**SECTION 11. EVENTS OF DEFAULT; REMEDIES ON DEFAULT**

**11.1. Events of Default.** Each of the following shall be an "Event of Default" if it occurs for any reason whatsoever, whether voluntary or involuntary, by operation of law or otherwise:

(a) Any Obligor fails to pay its Obligations when due (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of an Obligor made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) An Obligor breaches or fails to perform any covenant contained in **Section 7.2**, **7.3**, **7.4**, **8.1**, **8.2.4**, **8.2.5**, **8.6.2**, **10.1.1**, **10.1.2** (other than **clauses (g)**, **(h)** and **(j)** therein), **10.1.13**, **10.2, 10.3** or **14.19**;

(d) An Obligor breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within 30 days after a Senior Officer of such Obligor has knowledge thereof or receives notice thereof from Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by an Obligor;

(e) A Guarantor repudiates, revokes or attempts to revoke its Guaranty; an Obligor or an Affiliate thereof denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to Agent (except as modified by the Intercreditor Agreement); or any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by Agent and Lenders);

(f) Any breach or default of an Obligor occurs under (i) any Hedging Agreement; or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound, relating to (x) the Term Loan Obligations or (y) any other Debt (other than the Obligations or the Term Loan Obligations) in excess of $1,000,000 in either case of clauses (i) or (ii), if the maturity of or any payment with respect to such Debt may be accelerated or demanded due to such breach;

(g) Any final judgment or order for the payment of money is entered against an Obligor in an amount that remains unpaid for more than fifteen (15) days and that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Obligors, $1,000,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect;

(h) A loss, theft, damage or destruction occurs with respect to any ABL Priority Collateral if the amount not covered by insurance exceeds $1,000,000;

(i) An Obligor is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business; an Obligor suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business; there is a cessation of any material part of an Obligor's business for a material period of time; any material Collateral or Property of an Obligor is taken or impaired through condemnation; except as expressly permitted by Section 10.2.9, an Obligor agrees to or commences any liquidation, dissolution or winding up of its affairs; or an Obligor is not Solvent;

(j) An Insolvency Proceeding is commenced by an Obligor; an Obligor makes an offer of settlement, extension or composition to its unsecured creditors generally; an Obligor admits in writing its inability to pay its obligations generally as they become due; a trustee is appointed to take possession of any substantial Property of or to operate any of the business of an Obligor; or an Insolvency Proceeding is commenced against an Obligor and: the Obligor consents to institution of the proceeding, the petition commencing the proceeding is not timely contested by the Obligor, the petition is not dismissed within 60 days after filing, or an order for relief is entered in the proceeding;

(k) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of an Obligor or ERISA Affiliate to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan; an Obligor or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan; or any event similar to the foregoing occurs or exists with respect to a Foreign Plan;

(l) An Obligor or any of its Senior Officers is criminally indicted or convicted for (i) a felony committed in the conduct of the Obligor's business, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property of any Obligor or any Collateral; or

(m) A Change of Control occurs; or

(n) (i) the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Obligor or any Affiliate of any Obligor Person shall contest in any manner, or assist any Person party thereto to contest in any manner, the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or the Intercreditor Agreement; or (ii) the subordination provisions of any agreement or instrument relating to any Subordinated Debt shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than Agent, the Lenders or the Issuing Bank) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions; or

(o) any Loan Document or any material provision of any Loan Document shall at any time and for any reason cease to be valid and binding on or enforceable against any Obligor party thereto or any Obligor shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any security interest and Lien on the Collateral purported to be granted to Agent for the benefit of the Secured Parties by any Security Document shall for any reason (other than as expressly permitted hereunder or pursuant to the terms thereof) cease to be in full force and effect or create a valid security interest in any material portion of the Collateral or such security interest shall for any reason (other than the failure of Agent to take any action within its control) cease to be a perfected security interest with the priority stated in the Security Documents, except (in each case) (x) to the extent that any such grant, perfection or priority is not required pursuant to the terms hereof or the Security Documents and (y) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage.

**11.2. Remedies upon Default.** If an Event of Default described in **Section 11.1(j)** occurs with respect to any Obligor, then to the extent permitted by Applicable Law, all Obligations (other than Secured Bank Product Obligations) shall become automatically due and payable and all Commitments shall terminate, without any action by Agent or notice of any kind. In addition, or if any other Event of Default exists, Agent may in its discretion (and shall upon written direction of Required Lenders) do any one or more of the following from time to time:

(a) declare any Obligations (other than Secured Bank Product Obligations) immediately due and payable, whereupon they shall be due and payable without diligence, presentment, demand, protest or notice of any kind, all of which are hereby waived by Borrowers to the fullest extent permitted by law;

(b) terminate, reduce or condition any Commitment or adjust the Borrowing Base;

(c) require Obligors to Cash Collateralize their LC Obligations, Secured Bank Product Obligations and other Obligations that are contingent or not yet due and payable, and if Obligors fail to deposit such Cash Collateral, Agent may (and shall upon the direction of Required Lenders) advance the required Cash Collateral as Revolver Loans (whether or not an Overadvance exists or is created thereby, or the conditions in **Section 6** are satisfied); and

(d) exercise any other rights or remedies afforded under any agreement, by law, at equity or otherwise, including the rights and remedies of a secured party under the UCC. Such rights and remedies include the rights to (i) take possession of any Collateral; (ii) require Obligors to assemble Collateral, at Obligors' expense, and make it available to Agent at a place designated by Agent; (iii) enter any premises where Collateral is located and store Collateral on such premises until sold (and if the premises are owned or leased by an Obligor, Obligors agree not to charge for such storage); and (iv) sell or otherwise dispose of any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale, with such notice as may be required by Applicable Law, in lots or in bulk, at such locations, all as Agent, in its discretion, deems advisable. Each Obligor agrees that ten (10) days notice of any proposed sale or other disposition of Collateral by Agent shall be reasonable, and that any sale conducted on the internet or to a licensor of Intellectual Property shall be commercially reasonable. Agent may conduct sales on any Obligor's premises, without charge, and any sale may be adjourned from time to time in accordance with Applicable Law. Agent shall have the right to sell, lease or otherwise dispose of any Collateral for cash, credit or any combination thereof, and Agent may purchase any Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of the purchase price, may credit bid and set off the amount of such price against the Obligations.

**11.3. License.** Until Full Payment of the Obligations and termination of this Agreement and the Commitments hereunder, Agent is hereby granted an irrevocable, sublicensable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person), after the occurrence and during the continuance of an Event of Default, any or all Intellectual Property of Obligors, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other Property, in advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral. After the occurrence and during the continuance of an Event of Default, each Obligor's rights and interests under Intellectual Property shall inure to Agent's benefit.

**11.4. Setoff.** At any time during an Event of Default, Agent, Issuing Bank, Lenders, and any of their Affiliates are authorized, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency other than any Excluded Accounts of the type set forth in clauses (i) through (iii) of the definition thereof) at any time held and other obligations (in whatever currency) at any time owing by Agent, Issuing Bank, such Lender or such Affiliate to or for the credit or the account of an Obligor against its Obligations then due, whether or not Agent, Issuing Bank, such Lender or such Affiliate shall have made any demand under this Agreement or any other Loan Document and although such Obligations may be owed to a branch or office of Agent, Issuing Bank, such Lender or such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of Agent, Issuing Bank, each Lender and each such Affiliate under this Section are in addition to other rights and remedies (including other rights of setoff) that such Person may have.

**11.5. Remedies Cumulative; No Waiver**.

11.5.1 Cumulative Rights. All agreements, warranties, guaranties, indemnities and other undertakings of Obligors under the Loan Documents are cumulative and not in derogation of each other. The rights and remedies of Agent and Lenders under the Loan Documents are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and are not exclusive of any other rights or remedies available by agreement, by law, at equity or otherwise. All such rights and remedies shall continue in full force and effect until Full Payment of all Obligations.

11.5.2 Waivers. No waiver or course of dealing shall be established by (a) the failure or delay of Agent or any Lender to require strict performance by any Obligor under any Loan Document, or to exercise any rights or remedies with respect to Collateral or otherwise; (b) the making of any Loan or issuance of any Letter of Credit during a Default, Event of Default or other failure to satisfy any conditions precedent; or (c) acceptance by Agent or any Lender of any payment or performance by an Obligor under any Loan Documents in a manner other than that specified therein. Any failure to satisfy a financial covenant on a measurement date shall not be cured or remedied by satisfaction of such covenant on a subsequent date.

**SECTION 12. AGENT**

**12.1. Appointment, Authority and Duties of Agent**.

12.1.1 Appointment and Authority. Each Secured Party appoints and designates Bank of America as Agent under all Loan Documents. Agent may, and each Secured Party authorizes Agent to, enter into all Loan Documents to which Agent is intended to be a party and accept all Security Documents. Any action taken by Agent in accordance with the provisions of the Loan Documents, and the exercise by Agent of any rights or remedies set forth therein, together with all other powers reasonably incidental thereto, shall be authorized by and binding upon all Secured Parties. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive authority to (a) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with the Loan Documents; (b) execute and deliver as Agent each Loan Document, including any intercreditor or subordination agreement, and accept delivery of each Loan Document; (c) act as collateral agent for Secured Parties for purposes of perfecting and administering Liens under the Loan Documents, and for all other purposes stated therein; (d) manage, supervise or otherwise deal with Collateral; and (e) take any Enforcement Action or otherwise exercise any rights or remedies with respect to any Collateral or under any Loan Documents, Applicable Law or otherwise. Agent alone shall be authorized to determine eligibility and applicable advance rates under the Borrowing Base, whether to impose or release any reserve, or whether any conditions to funding or issuance of a Letter of Credit have been satisfied, which determinations and judgments, if exercised in good faith, shall exonerate Agent from liability to any Secured Party or other Person for any error in judgment.

12.1.2 Duties. The title of "Agent" is used solely as a matter of market custom and the duties of Agent are administrative in nature only. Agent has no duties except those expressly set forth in the Loan Documents, and in no event does Agent have any agency, fiduciary or implied duty to or relationship with any Secured Party or other Person by reason of any Loan Document or related transaction. The conferral upon Agent of any right shall not imply a duty to exercise such right, unless instructed to do so by Lenders in accordance with this Agreement.

12.1.3 Agent Professionals. Agent may perform its duties through agents and employees. Agent may consult with and employ Agent Professionals, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by an Agent Professional. Agent shall not be responsible for the negligence or misconduct of any agents, employees or Agent Professionals selected by it with reasonable care.

12.1.4 Instructions of Required Lenders. The rights and remedies conferred upon Agent under the Loan Documents may be exercised without the necessity of joining any other party, unless required by Applicable Law. In determining compliance with a condition for any action hereunder, including satisfaction of any condition in **Section 6**, Agent may presume that the condition is satisfactory to a Secured Party unless Agent has received notice to the contrary from such Secured Party before Agent takes the action. Agent may request instructions from Required Lenders or other Secured Parties with respect to any act (including the failure to act) in connection with any Loan Documents or Collateral, and may seek assurances to its satisfaction from Secured Parties of their indemnification obligations against Claims that could be incurred by Agent. Agent may refrain from any act until it has received such instructions or assurances, and shall not incur liability to any Person by reason of so refraining. Instructions of Required Lenders shall be binding upon all Secured Parties, and no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting pursuant to instructions of Required Lenders. Notwithstanding the foregoing, instructions by and consent of specific parties shall be required to the extent provided in **Section 14.1.1**. In no event shall Agent be required to take any action that it determines in its discretion is contrary to Applicable Law or any Loan Documents or could subject any Agent Indemnitee to liability.

**12.2. Agreements Regarding Collateral and Borrower Materials**.

12.2.1 Lien Releases; Care of Collateral. Secured Parties authorize Agent to release any Lien on any Collateral (a) upon Full Payment of the Obligations; (b) that is the subject of a disposition or Lien that Obligors certify in writing is a Permitted Asset Disposition or a Permitted Lien entitled to priority over Agent's Liens (and Agent may rely conclusively on such certificate without further inquiry); (c) that does not constitute a material part of the Collateral; or (d) subject to **Section 14.1**, with the consent of Required Lenders. Secured Parties authorize Agent to subordinate its Liens to any Purchase Money Lien or other Lien entitled to priority hereunder.Agent has no obligation to assure that any Collateral exists or is owned by an Obligor, or is cared for, protected or insured, nor to assure that Agent's Liens have been properly created, perfected or enforced, or are entitled to any particular priority, nor to exercise any duty of care with respect to any Collateral.

12.2.2 Possession of Collateral. Agent and Secured Parties appoint each Lender as agent (for the benefit of Secured Parties) for the purpose of perfecting Liens in Collateral held or controlled by such Lender, to the extent such Liens are perfected by possession or control. If any Lender obtains possession or control of any Collateral, it shall notify Agent thereof and, promptly upon Agent's request, deliver such Collateral to Agent or otherwise deal with it in accordance with Agent's instructions.

12.2.3 Reports. Agent shall promptly provide to Lenders, when complete, any field examination, audit or appraisal report prepared for Agent with respect to any Obligor or Collateral ("Report"). Reports and other Borrower Materials may be made available to Lenders by providing access to them on the Platform, but Agent shall not be responsible for system failures or access issues that may occur from time to time. Each Lender agrees (a) that Reports are not intended to be comprehensive audits or examinations, and that Agent or any other Person performing an audit or examination will inspect only limited information and will rely significantly upon Obligors' books, records and representations; (b) that Agent makes no representation or warranty as to the accuracy or completeness of any Borrower Materials and shall not be liable for any information contained in or omitted from any Borrower Materials, including any Report; and (c) to keep all Borrower Materials confidential and strictly for such Lender's internal use, not to distribute any Report or other Borrower Materials (or the contents thereof) to any Person (except to such Lender's Participants, attorneys and accountants), and to use all Borrower Materials solely for administration of the Obligations. Each Lender shall indemnify and hold harmless Agent and any other Person preparing a Report from any action such Lender may take as a result of or any conclusion it may draw from any Borrower Materials, as well as from any Claims arising as a direct or indirect result of Agent furnishing same to such Lender, via the Platform or otherwise.

**12.3. Reliance By Agent.** Agent shall be entitled to rely, and shall be fully protected in relying, upon any certification, notice or other communication (including those by telephone, telex, telegram, telecopy, e-mail or other electronic means) believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. Agent shall have a reasonable and practicable amount of time to act upon any instruction, notice or other communication under any Loan Document, and shall not be liable for any delay in acting.

**12.4.** **Action Upon Default.** Agent shall not be deemed to have knowledge of any Default or Event of Default, or of any failure to satisfy any conditions in **Section 6**, unless it has received written notice from a Borrower or Required Lenders specifying the occurrence and nature thereof. If a Lender acquires knowledge of a Default, Event of Default or failure of such conditions, it shall promptly notify Agent and the other Lenders thereof in writing. Each Secured Party agrees that, except as otherwise provided in any Loan Documents or with the written consent of Agent and Required Lenders, it will not take any Enforcement Action, accelerate Obligations (other than Secured Bank Product Obligations) or assert any rights relating to any Collateral.

**12.5.** **Ratable Sharing.** If any Lender obtains any payment or reduction of any Obligation, whether through set-off or otherwise, in excess of its ratable share of such Obligation, such Lender shall forthwith purchase from Secured Parties participations in the affected Obligation as are necessary to share the excess payment or reduction on a Pro Rata basis or in accordance with **Section 5.6.2**, as applicable. If any of such payment or reduction is thereafter recovered from the purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Notwithstanding the foregoing, if a Defaulting Lender obtains a payment or reduction of any Obligation, it shall immediately turn over the full amount thereof to Agent for application under **Section 4.2.2** and it shall provide a written statement to Agent describing the Obligation affected by such payment or reduction. No Lender shall set off against a Dominion Account without Agent's prior consent.

**12.6.** **Indemnification**. EACH SECURED PARTY SHALL INDEMNIFY AND HOLD HARMLESS AGENT INDEMNITEES AND ISSUING BANK INDEMNITEES, TO THE EXTENT NOT REIMBURSED BY OBLIGORS, ON A PRO RATA BASIS, AGAINST ALL CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST ANY SUCH INDEMNITEE, PROVIDED THAT ANY CLAIM AGAINST AN AGENT INDEMNITEE RELATES TO OR ARISES FROM ITS ACTING AS OR FOR AGENT (IN THE CAPACITY OF AGENT). In Agent's discretion, it may reserve for any Claims made against an Agent Indemnitee or Issuing Bank Indemnitee, and may satisfy any judgment, order or settlement relating thereto, from proceeds of Collateral prior to making any distribution of Collateral proceeds to Secured Parties. If Agent is sued by any receiver, trustee or other Person for any alleged preference or fraudulent transfer, then any monies paid by Agent in settlement or satisfaction of such proceeding, together with all interest, costs and expenses (including attorneys' fees) incurred in the defense of same, shall be promptly reimbursed to Agent by each Secured Party to the extent of its Pro Rata share.

**12.7.** **Limitation on Responsibilities of Agent.** Agent shall not be liable to any Secured Party for any action taken or omitted to be taken under the Loan Documents, except for losses directly and solely caused by Agent's gross negligence or willful misconduct. Agent does not assume any responsibility for any failure or delay in performance or any breach by any Obligor, Lender or other Secured Party of any obligations under the Loan Documents. Agent does not make any express or implied representation, warranty or guarantee to Secured Parties with respect to any Obligations, Collateral, Liens, Loan Documents or Obligor. No Agent Indemnitee shall be responsible to Secured Parties for any recitals, statements, information, representations or warranties contained in any Loan Documents or Borrower Materials; the execution, validity, genuineness, effectiveness or enforceability of any Loan Documents; the genuineness, enforceability, collectability, value, sufficiency, location or existence of any Collateral, or the validity, extent, perfection or priority of any Lien therein; the validity, enforceability or collectability of any Obligations; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor or Account Debtor. No Agent Indemnitee shall have any obligation to any Secured Party to ascertain or inquire into the existence of any Default or Event of Default, the observance by any Obligor of any terms of the Loan Documents, or the satisfaction of any conditions precedent contained in any Loan Documents.

**12.8. Successor Agent and Co-Agents**.

12.8.1 Resignation; Successor Agent. Agent may resign at any time by giving at least 30 days written notice thereof to Lenders and Borrowers. Required Lenders may appoint a successor to replace the resigning Agent, which successor shall be (a) a Lender or an Affiliate of a Lender; or (b) a financial institution reasonably acceptable to Required Lenders and (provided no Default or Event of Default exists) Borrowers. If no successor agent is appointed prior to the effective date of Agent's resignation, then Agent may appoint a successor agent that is a financial institution acceptable to it (which shall be a Lender unless no Lender accepts the role) or in the absence of such appointment, Required Lenders shall on such date assume all rights and duties of Agent hereunder. Upon acceptance by any successor Agent of its appointment hereunder, such successor Agent shall thereupon succeed to and become vested with all the powers and duties of the retiring Agent without further act. On the effective date of its resignation, the retiring Agent shall be discharged from its duties and obligations hereunder but shall continue to have all rights and protections under the Loan Documents with respect to actions taken or omitted to be taken by it while Agent, including the indemnification set forth in Sections 12.6 and 14.2, and all rights and protections under this Section 12. Any successor to Bank of America by merger or acquisition of stock or this loan shall continue to be Agent hereunder without further act on the part of any Secured Party or Obligor.

12.8.2 Co-Collateral Agent. If appropriate under Applicable Law, Agent may appoint a Person to serve as a co-collateral agent or separate collateral agent under any Loan Document. Each right, remedy and protection intended to be available to Agent under the Loan Documents shall also be vested in such agent. Secured Parties shall execute and deliver any instrument or agreement that Agent may request to effect such appointment. If any such agent shall die, dissolve, become incapable of acting, resign or be removed, then all the rights and remedies of the agent, to the extent permitted by Applicable Law, shall vest in and be exercised by Agent until appointment of a new agent.

**12.9. Due Diligence and Non-Reliance.** Each Lender acknowledges and agrees that it has, independently and without reliance upon Agent or any other Lenders, and based upon such documents, information and analyses as it has deemed appropriate, made its own credit analysis of each Obligor and its own decision to enter into this Agreement and to fund Loans and participate in LC Obligations hereunder. Each Secured Party has made such inquiries as it feels necessary concerning the Loan Documents, Collateral and Obligors. Each Secured Party acknowledges and agrees that the other Secured Parties have made no representations or warranties concerning any Obligor, any Collateral or the legality, validity, sufficiency or enforceability of any Loan Documents or Obligations. Each Secured Party will, independently and without reliance upon any other Secured Party, and based upon such financial statements, documents and information as it deems appropriate at the time, continue to make and rely upon its own credit decisions in making Loans and participating in LC Obligations, and in taking or refraining from any action under any Loan Documents. Except for notices, reports and other information expressly requested by a Lender, Agent shall have no duty or responsibility to provide any Secured Party with any notices, reports or certificates furnished to Agent by any Obligor or any credit or other information concerning the affairs, financial condition, business or Properties of any Obligor (or any of its Affiliates) which may come into possession of Agent or its Affiliates.

**12.10. Remittance of Payments and Collections**.

12.10.1 Remittances Generally. All payments by any Lender to Agent shall be made by the time and date provided herein, in immediately available funds. If no time for payment is specified or if payment is due on demand and request for payment is made by Agent by 1:00 p.m. on a Business Day, then payment shall be made by the Secured Party by 3:00 p.m. on such day, and if request is made after 1:00 p.m., then payment shall be made by 11:00 a.m. on the next Business Day. Payment by Agent to any Secured Party shall be made by wire transfer, in the type of funds received by Agent. Any such payment shall be subject to Agent's right of offset for any amounts due from such payee under the Loan Documents.

12.10.2 Failure to Pay. If any Secured Party fails to deliver when due any amount payable by it to Agent hereunder, such amount shall bear interest, from the due date until paid in full, at the greater of the Federal Funds Rate or the rate determined by Agent as customary for interbank compensation for two Business Days and thereafter at the Default Rate for Base Rate Revolver Loans. In no event shall Borrowers be entitled to credit for any interest paid by a Secured Party to Agent, nor shall a Defaulting Lender be entitled to interest on amounts held by Agent pursuant to **Section 4.2**.

12.10.3 Recovery of Payments. If Agent pays an amount to a Secured Party in the expectation that a related payment will be received by Agent from an Obligor and such related payment is not received, then Agent may recover such amount from the Secured Party. If Agent determines that an amount received by it must be returned or paid to an Obligor or other Person pursuant to Applicable Law or otherwise, then Agent shall not be required to distribute such amount to any Secured Party. If Agent is required to return any amounts applied by it to Obligations held by a Secured Party, such Secured Party shall pay to Agent, **on demand**, its share of the amounts required to be returned.

**12.11. Individual Capacities.** As a Lender, Bank of America shall have the same rights and remedies under the Loan Documents as any other Lender, and the terms "Lenders," "Required Lenders" or any similar term shall include Bank of America in its capacity as a Lender. Agent, Lenders and their Affiliates may accept deposits from, lend money to, provide Bank Products to, act as financial or other advisor to, and generally engage in any kind of business with, Obligors and their Affiliates, as if they were not Agent or Lenders hereunder, without any duty to account therefor to any Secured Party. In their individual capacities, Agent, Lenders and their Affiliates may receive information regarding Obligors, their Affiliates and their Account Debtors (including information subject to confidentiality obligations), and shall have no obligation to provide such information to any Secured Party.

**12.12.** **Titles**. Each Lender, other than Bank of America, that is designated in connection with this credit facility as an "Arranger," "Bookrunner" or "Agent" of any kind shall have no right or duty under any Loan Documents other than those applicable to all Lenders, and shall in no event have any fiduciary duty to any Secured Party.

**12.13.** **Bank Product Providers**. Each Secured Bank Product Provider, by delivery of a notice to Agent of a Bank Product, agrees to be bound by the Loan Documents, including **Sections 5.6**, **14.3.3** and **12**. Each Secured Bank Product Provider shall indemnify and hold harmless Agent

Indemnitees, to the extent not reimbursed by Obligors, against all Claims that may be incurred by or asserted against any Agent Indemnitee in connection with such provider's Secured Bank Product Obligations.

**12.14.** **No Third Party Beneficiaries.** This **Section 12** is an agreement solely among Secured Parties and Agent, and shall survive Full Payment of the Obligations. This **Section 12** does not confer any rights or benefits upon Borrowers or any other Person. As between Borrowers and Agent, any action that Agent may take under any Loan Documents or with respect to any Obligations shall be conclusively presumed to have been authorized and directed by Secured Parties.

**SECTION 13. BENEFIT OF AGREEMENT; ASSIGNMENTS**

**13.1.** **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of Obligors, Agent, Lenders, Secured Parties, and their respective successors and assigns, except that (a) no Obligor shall have the right to assign its rights or delegate its obligations under any Loan Documents; and (b) any assignment by a Lender must be made in compliance with **Section 13.3**. Agent may treat the Person which made any Loan as the owner thereof for all purposes until such Person makes an assignment in accordance with **Section 13.3**. Any authorization or consent of a Lender shall be conclusive and binding on any subsequent transferee or assignee of such Lender.

**13.2.** **Participations**.

13.2.1 Permitted Participants; Effect. Subject to **Section 13.3.3**, any Lender may sell to a financial institution ("Participant") a participating interest in the rights and obligations of such Lender under any Loan Documents. Despite any sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, it shall remain solely responsible to the other parties hereto for performance of such obligations, it shall remain the holder of its Loans and Commitments for all purposes, all amounts payable by Obligors shall be determined as if it had not sold such participating interests, and Obligors and Agent shall continue to deal solely and directly with such Lender in connection with the Loan Documents. Each Lender shall be solely responsible for notifying its Participants of any matters under the Loan Documents, and Agent and the other Lenders shall not have any obligation or liability to any such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of **Section 5.9** unless Borrowers agree otherwise in writing.

13.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, waiver or other modification of a Loan Document other than that which forgives principal, interest or fees, reduces the stated interest rate or fees payable with respect to any Loan or Commitment in which such Participant has an interest, postpones the Commitment Termination Date or any date fixed for any regularly scheduled payment of principal, interest or fees on such Loan or Commitment, or releases any Borrower, Guarantor or substantially all Collateral.

13.2.3 Participant Register. Each Lender that sells a participation shall, acting as a non-fiduciary agent of Borrowers, maintain a register in which it enters the Participant's name, address and interest in Commitments, Loans (and stated interest) and LC Obligations. Entries in the register shall be conclusive, absent manifest error, and such Lender shall treat each Person recorded in the register as the owner of the participation for all purposes, notwithstanding any notice to the contrary. The parties hereto agree and intend that the LC Obligations shall be treated as being in "registered form" for the purposes of the Code. No Lender shall have an obligation to disclose any information in such register except to the extent necessary to establish that a Participant's interest is in registered form under the Code. For the avoidance of doubt, Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant register.

13.2.4 Benefit of Setoff. Obligors agree that each Participant shall have a right of set-off in respect of its participating interest to the same extent as if such interest were owing directly to a Lender, and each Lender shall also retain the right of set-off with respect to any participating interests sold by it. By exercising any right of set-off, a Participant agrees to share with Lenders all amounts received through its set-off, in accordance with **Section 12.5** as if such Participant were a Lender.

**13.3. Assignments**.

13.3.1 Permitted Assignments. A Lender may assign to an Eligible Assignee any of its rights and obligations under the Loan Documents, as long as (a) each assignment is of a constant, and not a varying, percentage of the transferor Lender's rights and obligations under the Loan Documents and, in the case of a partial assignment, is in a minimum principal amount of $5,000,000 (unless otherwise agreed by Agent in its discretion) and integral multiples of $1,000,000 in excess of that amount; (b) except in the case of an assignment in whole of a Lender's rights and obligations, the aggregate amount of the Commitments retained by the transferor Lender is at least $5,000,000 (unless otherwise agreed by Agent in its discretion); and (c) the parties to each such assignment shall execute and deliver an Assignment and Acceptance to Agent for acceptance and recording. Nothing herein shall limit the right of a Lender to pledge or assign any rights under the Loan Documents to secure obligations of such Lender, including a pledge or assignment to a Federal Reserve Bank; provided, however, that no such pledge or assignment shall release the Lender from its obligations hereunder nor substitute the pledge or assignee for such Lender as a party hereto.

13.3.2 Effect; Effective Date. Upon delivery to Agent of an assignment notice in the form of **Exhibit B** and a processing fee of $3,500 (unless otherwise agreed by Agent in its discretion), the assignment shall become effective as specified in the notice, if it complies with this **Section 13.3**. From such effective date, the Eligible Assignee shall for all purposes be a Lender under the Loan Documents, and shall have all rights and obligations of a Lender thereunder. Upon consummation of an assignment, the transferor Lender, Agent and Borrowers shall make appropriate arrangements for issuance of replacement and/or new notes, if applicable. The transferee Lender shall comply with **Section 5.10** and deliver, upon request, an administrative questionnaire satisfactory to Agent.

13.3.3 Certain Assignees. No assignment or participation may be made to an Obligor, Affiliate of an Obligor, Defaulting Lender or natural person. Agent shall have no obligation to determine whether any assignment is permitted under the Loan Documents. Any assignment by a Defaulting Lender must be accompanied by satisfaction of its outstanding obligations under the Loan Documents in a manner satisfactory to Agent, including payment by the Defaulting Lender or Eligible Assignee of an amount sufficient upon distribution (through direct payment, purchases of participations or other methods acceptable to Agent in its discretion) to satisfy all funding and payment liabilities of the Defaulting Lender. If any assignment by a Defaulting Lender (by operation of law or otherwise) does not comply with the foregoing, the assignee shall be deemed a Defaulting Lender for all purposes until compliance occurs.

13.3.4 Register. Agent, acting as a non-fiduciary agent of Borrowers, shall maintain (a) a copy (or electronic equivalent) of each Assignment and Acceptance delivered to it, and (b) a register for recordation of the names, addresses and Commitments of, and the principal amounts (and stated interest) of the Loans, interest and LC Obligations owing to, each Lender. Entries in the register shall be conclusive, absent manifest error, and Borrowers, Agent and Lenders shall treat each Person recorded in such register as a Lender for all purposes under the Loan Documents, notwithstanding any notice to the contrary. Agent may choose to show only one Borrower as the borrower in the register, without any effect on the liability of any Obligor with respect to the Obligations. The register shall be available for inspection by Borrowers or any Lender, from time to time upon reasonable notice. The parties hereto agree and intend that the Obligations shall be treated as being in "registered form" for the purposes of the Code.

**13.4. Replacement of Certain Lenders.** If a Lender (a) within the last 120 days failed to give its consent to any amendment, waiver or action for which consent of all Lenders was required and Required Lenders consented, (b) is a Defaulting Lender, or (c) within the last 120 days gave a notice under **Section 3.5** or requested payment or compensation under **Section 3.7** or **5.9** (and has not designated a different Lending Office pursuant to **Section 3.8**), then Agent or Borrower Agent may, at Borrower's sole expense, upon 10 days notice to such Lender and Agent, require such Lender to assign its rights and obligations under the Loan Documents to Eligible Assignee(s), pursuant to appropriate Assignment and Acceptance(s), within 20 days after the notice. Agent is irrevocably appointed as attorney-in-fact to execute any such Assignment and Acceptance if the Lender fails to execute it. Such Lender shall be entitled to receive, in cash, concurrently with such assignment, all amounts owed to it under the Loan Documents through the date of assignment. A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower Agent to require such assignment and delegation cease to apply.

**SECTION 14. MISCELLANEOUS**

**14.1. Consents, Amendments and Waivers**.

14.1.1 Amendment .. No modification of any Loan Document, including any extension or amendment of a Loan Document or any waiver of a Default or Event of Default, shall be effective without the prior written agreement of Agent (with the consent of Required Lenders) and each Obligor party to such Loan Document; provided, however, that

(a) without the prior written consent of Agent, no modification shall alter any provision in a Loan Document that relates to any rights, duties or discretion of Agent;

(b) without the prior written consent of Issuing Bank, no modification shall alter **Section 2.3** or any other provision in a Loan Document that relates to Letters of Credit or any rights, duties or discretion of Issuing Bank;

(c) without the prior written consent of each affected Lender, including a Defaulting Lender, no modification shall (i) increase the Commitment of such Lender; (ii) reduce the amount of, or waive or delay payment of, any principal, interest or fees payable to such Lender (except as provided in **Section 4.2**); (iii) extend the Revolver Termination Date applicable to such Lender's Obligations; or (iv) amend this clause (c);

(d) without the prior written consent of all Lenders (except any Defaulting Lender), no modification shall (i) alter **Section 5.6.2, 7.1** (except to add Collateral) or **14.1.1**; (ii) amend the definition of Borrowing Base, Accounts Formula Amount, or Inventory Formula Amount (or any defined term used in such definition) if the effect of such amendment is to increase borrowing availability, Pro Rata or Required Lenders; (iii) release all or substantially all Collateral; or (iv) except in connection with a merger, disposition or similar transaction expressly permitted hereby, release any Obligor from liability for any Obligations; and

(e) without the prior written consent of a Secured Bank Product Provider, no modification shall affect its relative payment priority under **Section 5.6.2**.

(f) if Real Estate secures any Obligations, no modification of a Loan Document shall add, increase, renew or extend any credit line unless the conditions set forth in Section 7.3.3 are satisfied.

Notwithstanding the foregoing, (x) any provision of this Agreement may be amended by an agreement in writing entered into by Obligors, the Required Lenders and Agent (and, if their rights or obligations are affected thereby, Issuing Bank) if (i) by the terms of such agreement the Commitment of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment (including pursuant to an assignment to a replacement Lender in accordance with **Section 13.4**) in full of this principal of and interest accrued on each Loan made by it and all other amounts owing to it or accrued for its account under this Agreement and (y) this Agreement and any other Loan Document may be amended, modified or supplemented solely with the consent of Agent and Obligors, each in their sole discretion, without the need to obtain the consent of any other Lender if such amendment, modification or supplement is delivered in order to cure ambiguities, defects, errors, mistakes, omissions in this Agreement or the applicable Loan Document.

14.1.2 Limitations. The agreement of Obligors shall not be required for any modification of a Loan Document that deals solely with the rights and duties of Lenders, Agent and/or Issuing Bank as among themselves. Only the consent of the parties to any agreement relating to fees or a Bank Product shall be required for modification of such agreement, and no Bank Product provider (in such capacity) shall have any right to consent to modification of any Loan Document other than its Bank Product agreement. Any waiver or consent granted by Agent or Lenders hereunder shall be effective only if in writing and only for the matter specified.

14.1.3 Payment for Consents. No Obligor will, directly or indirectly, pay any remuneration or other thing of value, whether by way of additional interest, fee or otherwise, to any Lender (in its capacity as a Lender hereunder) as consideration for agreement by such Lender with any modification of any Loan Documents, unless such remuneration or value is concurrently paid, on the same terms, on a Pro Rata basis to all Lenders providing their consent.

**14.2. Indemnity**. EACH OBLIGOR SHALL INDEMNIFY AND HOLD HARMLESS THE INDEMNITEES AGAINST ANY CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE, INCLUDING CLAIMS ASSERTED BY ANY OBLIGOR OR OTHER PERSON OR ARISING FROM THE NEGLIGENCE OF AN INDEMNITEE. In no event shall any party to a Loan Document have any obligation thereunder to indemnify or hold harmless an Indemnitee with respect to a Claim that is determined in a final, non-appealable judgment by a court of competent jurisdiction to result from the gross negligence or willful misconduct of such Indemnitee.

**14.3. Notices and Communications**.

14.3.1 Notice Address. Subject to **Section 14.3.2**, all notices and other communications by or to a party hereto shall be in writing and shall be given to any Obligor, at Borrower Agent's address shown on the signature pages hereof, and to any other Person at its address shown on the signature pages hereof (or, in the case of a Person who becomes a Lender after the Closing Date, at the address shown on its Assignment and Acceptance), or at such other address as a party may hereafter specify by notice in accordance with this **Section 14.3**. Each communication shall be effective only (a) if given by facsimile transmission, when transmitted to the applicable facsimile number, if confirmation of receipt is received; (b) if given by mail, three Business Days after deposit in the U.S. mail, with first-class postage pre-paid, addressed to the applicable address; or (c) if given by personal delivery, when duly delivered to the notice address with receipt acknowledged. Notwithstanding the foregoing, no notice to Agent pursuant to **Section 2.1.4, 2.3, 3.1.2, 4.1.1, or 5.3.3** shall be effective until actually received by the individual to whose attention at Agent such notice is required to be sent. Any written communication that is not sent in conformity with the foregoing provisions shall nevertheless be effective on the date actually received by the noticed party. Any notice received by Borrower Agent shall be deemed received by all Obligors.

14.3.2 Communications . Electronic and telephonic communications (including e-mail, messaging and websites) may be used only in a manner acceptable to Agent and only for routine communications, such as delivery of Borrower Materials, administrative matters, distribution of Loan Documents and matters permitted under Section 4.1.4. Secured Parties make no assurance as to the privacy or security of electronic or telephonic communications. E-mail and voice mail shall not be effective notices under the Loan Documents.

14.3.3 Platform. Borrower Materials shall be delivered pursuant to procedures approved by Agent, including electronic delivery (if possible) upon request by Agent to an electronic system maintained by Agent ("Platform"). Borrowers shall notify Agent of each posting of Borrower Materials on the Platform and the materials shall be deemed received by Agent only upon its receipt of such notice. Borrower Materials and other information relating to this credit facility may be made available to Secured Parties on the Platform. The Platform is provided "as is" and "as available." Agent does not warrant the accuracy or completeness of any information on the Platform nor the adequacy or functioning of the Platform, and expressly disclaims liability for any errors or omissions in the Borrower Materials or any issues involving the Platform. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY AGENT WITH RESPECT TO BORROWER MATERIALS OR THE PLATFORM. No Agent Indemnitee shall have any liability to Obligors, Secured Parties or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) relating to use by any Person of the Platform, including any unintended recipient, nor for delivery of Borrower Materials and other information via the Platform, internet, e-mail, or any other electronic platform or messaging system.

14.3.4 Public Information. Obligors and Secured Parties acknowledge that "public" information may not be segregated from material non-public information on the Platform. Secured Parties acknowledge that Borrower Materials may include Obligors' material non-public information, and should not be made available to personnel who do not wish to receive such information or may be engaged in investment or other market-related activities with respect to an Obligor's securities.

14.3.5 Non-Conforming Communications. Agent and Lenders may rely upon any communications purportedly given by or on behalf of any Obligor even if they were not made in a manner specified herein, were incomplete or were not confirmed, or if the terms thereof, as understood by the recipient, varied from a later confirmation. Each Obligor shall indemnify and hold harmless each Indemnitee from any liabilities, losses, costs and expenses arising from any electronic or telephonic communication purportedly given by or on behalf of an Obligor.

**14.4. Performance of Borrowers' Obligations.** Agent may, in its discretion at any time and from time to time, at Obligors' expense, pay any amount or do any act required of a Borrower under any Loan Documents or otherwise lawfully requested by Agent to (a) enforce any Loan Documents or collect any Obligations; (b) protect, insure, maintain or realize upon any Collateral; or (c) defend or maintain the validity or priority of Agent's Liens in any Collateral, including any payment of a judgment, insurance premium, warehouse charge, finishing or processing charge, or landlord claim, or any discharge of a Lien. All payments, costs and expenses (including Extraordinary Expenses) of Agent under this Section shall be reimbursed to Agent by Obligors, **on demand**, with interest from the date incurred until paid in full, at the Default Rate applicable to Base Rate Revolver Loans. Any payment made or action taken by Agent under this Section shall be without prejudice to any right to assert an Event of Default or to exercise any other rights or remedies under the Loan Documents.

**14.5. Credit Inquiries.** Agent and Lenders may (but shall have no obligation) to respond to usual and customary credit inquiries from third parties concerning any Obligor or Subsidiary.

**14.6. Severability.** Wherever possible, each provision of the Loan Documents shall be interpreted in such manner as to be valid under Applicable Law. If any provision is found to be invalid under Applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of the Loan Documents shall remain in full force and effect.

**14.7. Cumulative Effect; Conflict of Terms.** The provisions of the Loan Documents are cumulative. The parties acknowledge that the Loan Documents may use several limitations or measurements to regulate similar matters, and they agree that these are cumulative and that each must be performed as provided. Except as otherwise provided in another Loan Document (by specific reference to the applicable provision of this Agreement), if any provision contained herein is in direct conflict with any provision in another Loan Document, the provision herein shall govern and control.

**14.8. Counterparts; Execution.** Any Loan Document may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when Agent has received counterparts bearing the signatures of all parties hereto. Agent may (but shall have no obligation to) accept any signature, contract formation or record-keeping through electronic means, which shall have the same legal validity and enforceability as manual or paper-based methods, to the fullest extent permitted by Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any similar state law based on the Uniform Electronic Transactions Act. Upon request by Agent, any electronic signature or delivery shall be promptly followed by a manually executed or paper document.

**14.9. Entire Agreement.** Time is of the essence with respect to all Loan Documents and Obligations. The Loan Documents constitute the entire agreement, and supersede all prior understandings and agreements, among the parties relating to the subject matter thereof.

**14.10. Relationship with Lenders.** The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or Commitments of any other Lender. Amounts payable hereunder to each Lender shall be a separate and independent debt. It shall not be necessary for Agent or any other Lender to be joined as an additional party in any proceeding for such purposes. Nothing in this Agreement and no action of Agent, Lenders or any other Secured Party pursuant to the Loan Documents or otherwise shall be deemed to constitute Agent and any Secured Party to be a partnership, joint venture or similar arrangement, nor to constitute control of any Obligor.

**14.11.** **No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated by any Loan Document, Obligors acknowledge and agree that (a)(i) this credit facility and any arranging or other services by Agent, any Lender, any of their Affiliates or any arranger are arm's-length commercial transactions between Obligors and their Affiliates, on one hand, and Agent, any Lender, any of their Affiliates or any arranger, on the other hand; (ii) Obligors have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate; and (iii) Obligors are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated by the Loan Documents; (b) each of Agent, Lenders, their Affiliates and any arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for Obligors, their Affiliates or any other Person, and has no obligation with respect to the transactions contemplated by the Loan Documents except as expressly set forth therein; and (c) Agent, Lenders, their Affiliates and any arranger may be engaged in a broad range of transactions that involve interests that differ from those of Obligors and their Affiliates, and have no obligation to disclose any of such interests to Obligors or their Affiliates.To the fullest extent permitted by Applicable Law, each Obligor hereby waives and releases any claims that it may have against Agent, Lenders, their Affiliates and any arranger with respect to any breach of agency or fiduciary duty in connection with any transaction contemplated by a Loan Document.

**14.12.** **Confidentiality**. Each of Agent, Lenders and Issuing Bank shall maintain the confidentiality of all Information (as defined below), except that Information may be disclosed (a) to its Affiliates, and to its and their partners, directors, officers, employees, agents, advisors, investors (actual and/or prospective), lenders (actual and/or prospective) and representatives (provided they are informed of the confidential nature of the Information and instructed to keep it confidential); (b) to the extent requested by any governmental, regulatory or self-regulatory authority purporting to have jurisdiction over it or its Affiliates; (c) to the extent required by Applicable Law or by any subpoena or other legal process; (d) to any other party hereto; (e) in connection with any action or proceeding relating to any Loan Documents or Obligations; (f) subject to an agreement containing provisions substantially the same as this Section, to any Transferee or any actual or prospective party (or its advisors) to any Bank Product or to any swap, derivative or other transaction under which payments are to be made by reference to an Obligor or Obligor's obligations; (g) to the extent such Information (i) with the consent of Borrower Agent; (j) to a Person that is a trustee, investment advisor, collateral manager, servicer, noteholder or secured party in a Securitization (as hereinafter defined) in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization and (k) otherwise to the extent consisting of general portfolio information that does not identify Obligors. For the purposes of this Section, "Securitization" shall mean a public or private offering by a Lender or any of its Affiliates or their respective successors and assigns, of Equity Interests which represent an interest in, or which are collateralized, in whole or in party, by the Loans. Notwithstanding the foregoing, Agent and Lenders may publish or disseminate general information concerning this credit facility for league table, tombstone and advertising purposes, and may use Obligors' logos, trademarks or product photographs in advertising materials. As used herein, "Information" means information received from an Obligor or Subsidiary relating to it or its business that is identified as confidential when delivered. A Person required to maintain the confidentiality of Information pursuant to this Section shall be deemed to have complied if it exercises a degree of care similar to that accorded its own confidential information. Each of Agent, Lenders and Issuing Bank acknowledges that (i) Information may include material non-public information; (ii) it has developed compliance procedures regarding the use of such information; and (iii) it will handle the material non-public information in accordance with Applicable Law.

**14.13.** **Certifications Regarding Term Loan Documents.** The Obligors certify to Agent and Lenders that neither the execution or performance of the Loan Documents nor the incurrence of any Obligations by Obligors violates any Term Loan Document.

**14.14.** **GOVERNING LAW**. UNLESS EXPRESSLY PROVIDED IN ANY LOAN DOCUMENT, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL CLAIMS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES EXCEPT FEDERAL LAWS RELATING TO NATIONAL BANKS.

**14.15.** **Consent to Forum; Bail-In of EEA Financial Institutions**.

14.15.1 Forum. EACH OBLIGOR HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITTING IN THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, IN ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING RELATING IN ANY WAY TO ANY LOAN DOCUMENTS, AND AGREES THAT ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING SHALL BE BROUGHT BY IT SOLELY IN ANY SUCH COURT. EACH OBLIGOR IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL CLAIMS, OBJECTIONS AND DEFENSES THAT IT MAY HAVE REGARDING ANY SUCH COURT'S PERSONAL OR SUBJECT MATTER JURISDICTION, VENUE OR INCONVENIENT FORUM. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 14.3.1. A final judgment in any proceeding of any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or any other manner provided by Applicable Law.

14.15.2 Other Jurisdictions. Nothing herein shall limit the right of Agent or any Lender to bring proceedings against any Obligor in any other court, nor limit the right of any party to serve process in any other manner permitted by Applicable Law. Nothing in this Agreement shall be deemed to preclude enforcement by Agent of any judgment or order obtained in any forum or jurisdiction.

14.15.3 Acknowledgement and Consent to Bail-In of EEA Financial Institutions . Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties, each party hereto (including each Secured Party) acknowledges that any liability arising under a Loan Document of any Secured Party that is an EEA Financial Institution, to the extent such liability is unsecured, may be subject to the write -down and conversion powers of an EEA Resolution Authority, and agrees and consents to, and acknowledges and agrees to be bound by, (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising under any Loan Documents which may be payable to it by any Secured Party that is an EEA Financial Institution; and (b) the effects of any Bail-in Action on any such liability, including (i) a reduction in full or in part or cancellation of any such liability; (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under any Loan Document; or (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

**14.16.** **Waivers by Obligors**. To the fullest extent permitted by Applicable Law, each Obligor waives (a) the right to trial by jury (which Agent, Issuing Bank and each Lender hereby also waive) in any proceeding or dispute of any kind relating in any way to any Loan Documents, Obligations or Collateral; (b) presentment, demand, protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper and guaranties at any time held by Agent on which an Obligor may in any way be liable, and hereby ratifies anything Agent may do in this regard; (c) notice prior to taking possession or control of any Collateral; (d) any bond or security that might be required by a court prior to allowing Agent to exercise any rights or remedies; (e) the benefit of all valuation, appraisement and exemption laws; (f) any claim against Agent, Issuing Bank or any Lender, on any theory of liability, for special, indirect, consequential, exemplary or punitive damages (as opposed to direct or actual damages) in any way relating to any Enforcement Action, Obligations, Loan Documents or transactions relating thereto; and (g) notice of acceptance hereof. Each Obligor acknowledges that the foregoing waivers are a material inducement to Agent, Issuing Bank and Lenders entering into this Agreement and that they are relying upon the foregoing in their dealings with Obligors. Each Obligor has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial and other rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

**14.17.** **Patriot Act Notice**. Agent and Lenders hereby notify Obligors that pursuant to the Patriot Act, Agent and Lenders are required to obtain, verify and record information that identifies each Obligor, including its legal name, address, tax ID number and other information that will allow Agent and Lenders to identify it in accordance with the Patriot Act. Agent and Lenders will also require information regarding any personal guarantor and may require information regarding Obligors' management and owners, such as legal name, address, social security number and date of birth. Obligors shall, promptly upon request, provide all documentation and other information as Agent, Issuing Bank or any Lender may request from time to time in order to comply with any obligations under any "know your customer," anti-money laundering or other requirements of Applicable Law.

**14.18.** **NO ORAL AGREEMENT**. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.

**14.19.** **Assumption by Holdings and Successor Borrower**. Immediately following the consummation of the Closing Date Acquisition, (i) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to Agent the Assumption Agreement and assume the rights and obligations of the Initial Borrower hereunder as a Borrower, (ii) Holdings shall duly execute and deliver to Agent the Assumption Agreement and become a Guarantor hereunder and under each other Loan Document applicable to it, and (iii) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to Agent each of the agreements, instruments and certificates listed in **Section 6.1** to which Hydrofarm, WJCO, EHH or SunBlaster is, or is contemplated to be, a party. Immediately upon the completion of the actions set forth in **clauses (i)**, **(ii)** and **(iii)** above, (x) Holdings shall be automatically released from its obligations as a Borrower hereunder and shall instead assume the obligations as a Guarantor hereunder and under the other Loan Documents and (y) each of Hydrofarm, WJCO, EHH and SunBlaster shall become a Borrower hereunder and under the other Loan Documents. Upon the reasonable request by Agent, Obligors shall take such additional actions and execute such documents as Agent may reasonably request to implement the transactions contemplated by the Assumption Agreement and reflect the assumption by Hydrofarm, WJCO, EHH and SunBlaster of the obligations of the Initial Borrower contemplated thereby.

**14.20. INTERCREDITOR AGREEMENT.**

(a) EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

(b) THE PROVISIONS OF THIS **SECTION 14.19** ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT THEMSELVES TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NO AGENT OR ANY OF AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM AGENT.

(c) THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE OBLIGORS AS PARTY THERETO. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

(d) IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

[Remainder of page intentionally left blank; signatures begin on following page]

**IN WITNESS WHEREOF,** this Agreement has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
as Initial Borrower and Holdings

| | |
|---|---|
| By: | /s/ Michael Serruya |
| Name: | Michael Serruya |
| Title: | President |
| | |
| Address: | 210 Shields Court Markham, ON L3R 8V2 |
| Attn: | Michael Serruya |
| Telecopy: | (905) 479-3275 |

*Each of the undersigned hereby confirms that, immediately after the funding of the Loans on the Closing Date and the consummation of the Closing Date Acquisition and execution of the Assumption Agreement, it hereby assumes all of the rights and obligations of a Borrower under this Agreement and hereby is joined to this Agreement as a Borrower hereunder.*

**HYDROFARM, LLC,** as a Borrower

| | |
|---|---|
| By: | /s/ Peter Wardenburg |
| Name: | Peter Wardenburg |
| Title: | President and Chief Executive Officer |
| | |
| Address: | 2249 S. McDowell Ext., Petaluma, CA 94954 |
| Attn: | Peter Wardenburg |
| Telecopy: | peter@hydrofarm.com |

**EHH HOLDING, LLC,** as a Borrower

| | |
|---|---|
| By: | /s/ Peter Wardenburg |
| Name: | Peter Wardenburg |
| Title: | Manager |
| | |
| Address: | 2249 S. McDowell Ext., Petaluma, CA 94954 |
| Attn: | Peter Wardenburg |
| Telecopy: | peter@hydrofarm.com |

**SUNBLASTER LLC,** as a Borrower

| | |
|---|---|
| By: | /s/ Peter Wardenburg |
| Name: | Peter Wardenburg |
| Title: | Manager |
| | |
| Address: | 2249 S. McDowell Ext., Petaluma, CA 94954 |
| Attn: | Peter Wardenburg |
| | peter@hydrofarm.com |
| Telecopy | peter@hydrofarm.com |

**WJCO LLC,** as a Borrower

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 4200 E. 50th Ave., Denver, CO 80216
Attn: Peter Wardenburg
Telecopy: peter@hydrofarm.com

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Carin C. Julsgard
Name: Carin C. Julsgard
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1300
Los Angeles, CA 90071-1406
Attn: Matthew R. Van Steenhuyse
Telecopy: (877) 207-2581

EXHIBIT A
to
Loan and Security Agreement

**ASSIGNMENT AND ACCEPTANCE**

Reference is made to the Loan and Security Agreement dated as of May 12, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company (" Initial Borrower" or "Holdings"; immediately upon consummation of the Closing Date Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company (the "Company"), EHH Holdings, LLC, a Delaware limited liability company ("EHH"), SunBlaster, LLC, a Delaware limited liability company ("SunBlaster"), and WJCO LLC, a Colorado limited liability company ("WJCO"); the Company, EHH, SunBlaster, WJCO and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to Section 10.1.9 of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent"). Terms are used herein as defined in the Loan Agreement.

_____("Assignor") and _____ ("Assignee") agree as follows:

1. Assignor hereby assigns to Assignee and Assignee hereby purchases and assumes from Assignor (a) a principal amount of $_____ of Assignor's outstanding Revolver Loans and $_____ of Assignor's participations in LC Obligations and (b) the amount of $_____ of Assignor's Revolver Commitment (which represents ____% of the total Revolver Commitments) (the foregoing items being, collectively, the "Assigned Interest"), together with an interest in the Loan Documents corresponding to the Assigned Interest. This Agreement shall be effective as of the date ("Effective Date") indicated in the corresponding Assignment Notice delivered to Agent, provided such Assignment Notice is executed by Assignor, Assignee, Agent and Borrower Agent, if applicable. From and after the Effective Date, Assignee hereby expressly assumes, and undertakes to perform, all of Assignor's obligations in respect of the Assigned Interest, and all principal, interest, fees and other amounts which would otherwise be payable to or for Assignor's account in respect of the Assigned Interest shall be payable to or for Assignee's account, to the extent such amounts accrue on or after the Effective Date.

2. Assignor (a) represents that as of the date hereof, prior to giving effect to this assignment, its Revolver Commitment is $_____, the outstanding balance of its Revolver Loans and participations in LC Obligations is $_____,; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto, other than that Assignor is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; and (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Obligors or the performance by Obligors of their obligations under the Loan Documents. *[Assignor is attaching the promissory note[s] held by it and requests that Agent exchange such note[s] for new promissory notes payable to Assignee [and Assignor].]*

3. Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received copies of the Loan Agreement and such other Loan Documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it shall, independently and without reliance upon Assignor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; (d) confirms that it is an Eligible Assignee; (e) appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to Agent by the terms thereof, together with such powers as are incidental thereto; (f) agrees that it will observe and perform all obligations that are required to be performed by it as a "Lender" under the Loan Documents; and (g) represents and warrants that the assignment evidenced hereby will not result in a non-exempt "prohibited transaction" under Section 406 of ERISA.

4. This Agreement shall be governed by the laws of the State of New York. If any provision is found to be invalid under Applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of this Agreement shall remain in full force and effect.

5. Each notice or other communication hereunder shall be in writing, shall be sent by messenger, by telecopy or facsimile transmission, or by first-class mail, shall be deemed given when sent and shall be sent as follows:

(a) If to Assignee, to the following address (or to such other address as Assignee may designate from time to time):

_____
_____
_____

(b) If to Assignor, to the following address (or to such other address as Assignor may designate from time to time):

_____
_____
_____
_____

Payments hereunder shall be made by wire transfer of immediately available Dollars as follows:

If to Assignee, to the following account (or to such other account as Assignee may designate from time to time):

_____
_____
ABA No._____
_____
Account No._____
Reference: _____

If to Assignor, to the following account (or to such other account as Assignor may designate from time to time):

_____
_____

ABA No._____
_____
Account No._____
Reference: _____

**IN WITNESS WHEREOF**, this Assignment and Acceptance is executed as of _____.

_____
("Assignee")

By _____
Title:

_____
("Assignor")

By _____
Title:

EXHIBIT B
to
Loan and Security Agreement

**ASSIGNMENT NOTICE**

Reference is made to (1) the Loan and Security Agreement dated as of May 12, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company (" Initial Borrower" or "Holdings"; immediately upon consummation of the Closing Date Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company ("Borrower Agent "), EHH Holdings, LLC, a Delaware limited liability company ("EHH"), SunBlaster, LLC, a Delaware limited liability company ("SunBlaster "), and WJCO LLC, a Colorado limited liability company (" WJCO"); Borrower Agent, EHH, SunBlaster, WJCO and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to Section 10.1.9 of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent"); and (2) the Assignment and Acceptance dated as of _____, 20__ ("Assignment Agreement"), between _____ ("Assignor") and _____ ("Assignee"). Terms are used herein as defined in the Loan Agreement.

Assignor hereby notifies Borrowers and Agent of Assignor's intent to assign to Assignee pursuant to the Assignment Agreement (a) a principal amount of $_____ of Assignor's outstanding Revolver Loans and $_____ of Assignor's participations in LC Obligations, and (b) the amount of $_____ of Assignor's Revolver Commitment (which represents ____% of the total Revolver Commitments) (the foregoing items being, collectively, the "Assigned Interest"), together with an interest in the Loan Documents corresponding to the Assigned Interest. This Agreement shall be effective as of the date ("Effective Date") indicated below, provided this Assignment Notice is executed by Assignor, Assignee, Agent and Borrower Agent, if applicable. Pursuant to the Assignment Agreement, Assignee has expressly assumed all of Assignor's obligations under the Loan Agreement to the extent of the Assigned Interest, as of the Effective Date.

For purposes of the Loan Agreement, Agent shall deem Assignor's Revolver Commitment to be reduced by $_____, and Assignee's Revolver Commitment to be increased by $_____.

The address of Assignee to which notices and information are to be sent under the terms of the Loan Agreement is:

_____
_____
_____
_____

The address of Assignee to which payments are to be sent under the terms of the Loan Agreement is shown in the Assignment Agreement.

This Notice is being delivered to Borrowers and Agent pursuant to **Section 13.3** of the Loan Agreement. Please acknowledge your acceptance of this Notice by executing and returning to Assignee and Assignor a copy of this Notice.

**IN WITNESS WHEREOF**, this Assignment Notice is executed as of _____.

_____
("Assignee")

By _____
Title:

_____
("Assignor")

By _____
Title:

ACKNOWLEDGED AND AGREED,
AS OF THE DATE SET FORTH ABOVE:

**BORROWER AGENT:***

By _____
Title:

* No signature required if Assignee is a Lender, U.S.-based Affiliate of a Lender or Approved Fund, or if an Event of Default exists.

**BANK OF AMERICA, N.A.,**
as Agent

By _____
Title:

EXHIBIT C
to
Loan and Security Agreement

**FORM OF COMPLIANCE CERTIFICATE**

Financial Statement Date: _____, ____

To: Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to the Loan and Security Agreement dated as of May 12, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower" or "Holdings"; immediately upon consummation of the Closing Date Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company ("Borrower Agent"), EHH Holdings, LLC, a Delaware limited liability company ("EHH"), SunBlaster, LLC, a Delaware limited liability company ("SunBlaster "), and WJCO LLC, a Colorado limited liability company (" WJCO"); Borrower Agent, EHH, SunBlaster, WJCO and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to Section 10.1.9 of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent"). Terms are used herein as defined in the Loan Agreement.

The undersigned hereby certifies as of the date hereof that he/she is a Senior Officer of Borrower Agent, and that, solely in his/her capacity as such, he/she is authorized to execute and deliver this Compliance Certificate to Agent on the behalf of Borrowers, and that:

*[Use following paragraph 1 for fiscal year-end financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 10.1.2(a) of the Agreement for the Fiscal Year of Holdings and its Subsidiaries ended as of the above date, certified by a firm of independent certified public accountants in accordance with such section.

*[Use following paragraph 1 for month-end financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 10.1.2(b) of the Agreement for the calendar month of Holdings and its Subsidiaries ended as of the above date. Such consolidated and consolidating financial statements fairly present in all material respects the financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a review of the activities of Borrowers and their during the accounting period covered by the attached financial statements with a view to determining Borrowers are in Default under the Agreement, and

*[select one:]*

[to the knowledge of the undersigned, no Default has occurred and is continuing.]

*--or--*

[to the knowledge of the undersigned, the following is a list of each Default that has occurred and is continuing and its nature and status:]

*[Use following paragraph 3 for month and quarter-end financial statements]*

3. The calculations set forth on Schedule 2 attached hereto of Availability as a percentage of Revolver Commitments as of the end of the most recently completed calendar month are true and accurate as of the date of the financial statements set forth above and as of the date of this Compliance Certificate.

*[Use following paragraph 4 for month and quarter financial statements that also constitute a fiscal quarter end.]*

4. The financial covenant analyses and information set forth on Schedule 3 attached hereto are true and accurate for the trailing twelve month period ended on the date of the financial statements set forth above (or for the shorter cumulative period commencing on [_____], [___] and ended on the date of such financial statements, as applicable) as of the date of this Compliance Certificate.

[Signature Page Follows]

*IN WITNESS WHEREOF,* the undersigned has executed this Compliance Certificate as of _____, _____ .

**HYDROFARM, LLC,**
as Borrower Agent

By: _____
Name: _____
Title: _____

[*Signature Page to Compliance Certificate*]

For the Month//Year ended _____, ____ ("Statement Date")

**SCHEDULE 1**
to the Compliance Certificate

**SCHEDULE 2**
to the Compliance Certificate

Calculation of Availability

**SCHEDULE 3**
to the Compliance Certificate

Fixed Charge Coverage Ratio.

EXHIBIT D
to
Loan and Security Agreement

**FORM OF IP AGREEMENT**

[TRADEMARK/PATENT/COPYRIGHT] SECURITY AGREEMENT

This GRANT OF SECURITY INTEREST IN [TRADEMARK/PATENT/ COPYRIGHT] RIGHTS (this "Agreement"), dated as of [_____ *], 20*[__], is made by [GRANTOR], a[n] [_____] (the "Grantor"), in favor of BANK OF AMERICA, N.A., as agent for the equal and ratable benefit of the Secured Parties (in such capacity, together with its successors and assigns in such capacity, "Agent").

The Grantor has executed and delivered that certain Loan and Security Agreement, dated as of May 12, 2017, in favor of Agent for the equal and ratable benefit of the Secured Parties (as the same may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "Loan Agreement"). The Grantor has pledged and granted to Agent a continuing security interest in substantially all of its intellectual property, including the [Trademarks/Patents/Copyrights].

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor agrees, for the benefit of Agent, as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement have the meanings provided or provided by reference in the Loan Agreement.

2. Grant of Security Interest. (a) This Agreement is made to secure the performance and payment of all of the Obligations. Upon the payment in full of all Obligations (other than contingent indemnification obligations which have not been asserted), Agent shall promptly, upon such satisfaction, execute, acknowledge, and deliver to Grantor all reasonably requested instruments in writing releasing the security interest in the all of its intellectual property including the [Trademarks/Patents/Copyrights] acquired under this confirmatory grant.

[Trademarks

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) its trademarks (including service marks), trade names, trade dress and the registrations and applications for registration thereof, including the foregoing listed on Schedule A, (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law) and the goodwill of the business symbolized by the foregoing; (ii) all renewals of the foregoing; (iii) all income, royalties, damages, and payments now or hereafter due or payable with respect thereto, including, without limitation, damages, claims, and payments for past and future infringements thereof; (iv) all rights to sue for past, present, and future infringements of the foregoing, including the right to settle suits involving claims and demands for royalties owing; and (v) all rights corresponding to any of the foregoing throughout the world (the "Trademarks").]

[Patents

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) any and all issued patents and patent applications, including the foregoing listed on Schedule A; (ii) all inventions and improvements both described and claimed therein; (iii) all reissues, divisions, continuations, renewals, extensions, and continuations-in-part thereof; (iv) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; (v) all rights to sue for past, present, and future infringements thereof; and (vi) all rights corresponding to any of the foregoing throughout the world (the "Patents").]

[Copyrights

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) any and all registered copyrights and copyright applications, including the foregoing listed on Schedule A; (ii) all renewals or extensions thereof; (iii) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; (iv) all rights to sue for past, present, and future infringements thereof; and (v) all rights corresponding to any of the foregoing throughout the world (the "Copyrights").]

3. Purpose. This Agreement has been executed and delivered by the Grantor for the purpose of recording the grant of security interest herein with the United States [Patent and Trademark][Copyright] Office. The security interest granted hereby has been granted to Agent in connection with the Loan Agreement and is expressly subject to the terms and conditions thereof. The Loan Agreement (and all rights and remedies of Agent thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the rights and remedies of Agent with respect to the security interest in the Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Loan Agreement, the terms of the Loan Agreement shall govern.

5. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same original.

6. Governing Law. This Agreement and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

[GRANTOR]

By: _____
Name: _____
Title: _____

[Signature Page to [Trademark/Patent/Copyright] Security Agreement]

BANK OF AMERICA, N.A.,
as Agent

By: _____
Name: _____
Title: _____

[Signature Page to [Trademark/Patent/Copyright] Security Agreement]

**SCHEDULE A**

**[PATENT/TRADEMARK/COPYRIGHT] REGISTRATIONS AND APPLICATIONS**

EXHIBIT E
to
Loan and Security Agreement

**FORM OF LANDLORD WAIVER**

This Landlord Waiver (the "Waiver") is entered into as of _____, 20[__] between _____ (the "Landlord"), Bank of America, N.A., as agent (the "Revolving Agent") and Brightwood Loan Services LLC, as agent (the "Term Agent" together with "Revolving Agent" the "Agents" and each an "Agent") under the Loan Documents described below.

W I T N E S S E T H :

**WHEREAS**, [_____] ("Tenant"), entered into that certain Lease dated [_____], 20[__] (as amended, the "Lease"), a copy of which is attached hereto as Exhibit A, for the premises located at [_____] (the "Premises"); and

**WHEREAS**, the Tenant and certain of its affiliates have entered, and may from time to time enter, into a revolving loan and security agreement and other documents (as the same may be amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Revolving Loan Documents") evidencing a financing arrangement with the Revolving Agent and have entered, and may from time to time enter, into a term loan, security and guaranty agreement and other documents (as the same may be amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Term Loan Documents" and collectively with the Revolving Loan Documents, the "Loan Documents") evidencing a financing arrangement with the Term Agent. The Tenant has also agreed to secure its obligations and liabilities under the Loan Documents (the "Obligations") by granting a security interest to the Agents, in certain of the Tenant's property and all products and proceeds of the foregoing, as more fully described in the Loan Documents, some of which is located at the Premises (the "Collateral").

**WHEREAS**, in order to enter into the Loan Documents, the Agents have required that the Tenant obtain this Waiver from the Landlord in connection with its Lease of the Premises.

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord does hereby consent to Tenant's granting of a security interest in its personal property to the Agents and does hereby subordinate its security rights in such personal property under the Lease to Agents' liens, subject to the following terms and conditions:

1. The Landlord acknowledges that the Lease is in full force and effect and is not aware of any existing default under the Lease.

2. The Landlord acknowledges the validity of each Agent's lien on the Collateral and waives any interest in the Collateral and agrees not to levy or distrain upon any Collateral or to claim or assert any lien, right or other claim against any Collateral for any reason.

3. The Landlord agrees to give notice to each Agent of the occurrence of any default by the Tenant under the Lease resulting in termination of the Lease (a "Default Notice") and agrees to permit the Agents to cure any such default within 30 days of the Agents' receipt of such Default Notice, but the Agents shall not be under any obligation to cure any default by the Tenant under the Lease. No action by the Agents pursuant to this Waiver shall be deemed to be an assumption by the Agents of any obligation under the Lease, and except as expressly provided in paragraphs 7 and 8 below, the Agents shall not have any obligation to the Landlord.

4. The Landlord agrees that the Collateral is and shall remain personal property of the Tenant regardless of the manner or mode of attachment of any item of Collateral to the Premises and shall not be deemed to be fixtures.

5. The Landlord agrees that the Collateral may be inspected and evaluated by either Agent or its designee, without necessity of court order, at any time without payment of any fee.

6. Each Agent shall have the right to enter the Premises and remove Tenant's personal property or trade fixtures to which it has rights, and Landlord waives any rights it may have to prevent such removal, from the Premises before the expiration of the lease term. In the event of default by the Tenant in the payment or performance of the Obligations or if the lease term is terminated earlier due to Tenant's default (each a "Disposition Event"), the Landlord agrees that, at either Agent's option, the Collateral may remain upon the Premises for a period not to exceed one hundred twenty (120) days (the "Disposition Period") after (a) either Agent takes possession of the Premises or (b) receipt by the Agents of a Default Notice; provided that the applicable Agent pay rent on a per diem basis for the period of time such Agent remains on the Premises, based upon the amount of rent set forth in the Lease. If any injunction or stay is issued (including an automatic stay due to a bankruptcy proceeding) that prohibits either Agent from removing the Collateral, commencement of the Disposition Period shall be deferred until such injunction or stay is lifted or removed.

7. During any Disposition Period, the Agents or their designee (a) may, without necessity of court order, enter upon the Premises at any time to inspect or remove all or any Collateral from the Premises without interference by the Landlord, and the Agents or their designee may sell, transfer, or otherwise dispose of that Collateral free of all liens, claims, demands, rights and interests that the Landlord may have in that Collateral by law or agreement, including, without limitation, by public auction or private sale (and the Agents may advertise and conduct such auction or sale at the Premises, and shall use reasonable efforts to notify the Landlord of its intention to hold any such auction or sale), in each case, without interference by the Landlord and (b) shall make the Premises available for inspection by the Landlord and prospective tenants and shall cooperate in Landlord's reasonable efforts to re-lease the Premises.

8. Each Agent shall promptly repair, at such Agent's expense, or reimburse the Landlord for any physical damage to the Premises actually caused by the conduct of any auction or sale and any removal of the Collateral by or through such Agent (ordinary wear and tear excluded). The Agents shall not (a) be liable to the Landlord for any diminution in value caused by the absence of any removed Collateral or for any other matter except as specifically set forth herein or (b) have any duty or obligation to remove or dispose of any Collateral or other property left on the Premises by the Tenant.

9. Without affecting the validity of this Waiver, any of the Obligations may be extended, amended, or otherwise modified without the consent of the Landlord and without giving notice thereof to the Landlord. This Waiver shall inure to the benefit of the successor and assigns of the Agents and shall be binding upon the heirs, personal representatives, successors and assigns of the Landlord. The person signing this Waiver on behalf of the Landlord represents to the Agents that he/she has the authority to do so on behalf of the Landlord. Notwithstanding any provision of the Lease to the contrary, Tenant expressly acknowledges and agrees that the prior written consent of each Agent shall be required for any of the following:

    a. Any assignment or subletting of Tenant’s interest under the Lease; and

    b. Other than as set forth herein, any material modification or alteration of the Lease, except for extension or renewal options as provided for in the Lease when such modification or alteration has a material adverse effect on either Agent and its right with respect to the Collateral.

    Neither Agent shall unreasonably withhold or delay its consent to any of the foregoing.

10. Landlord hereby consents to Tenant’s present or future assignment to the Agents of Tenant’s interest in the Lease as security for Tenant’s obligations to the Agents pursuant to a leasehold mortgage or other instruments(s).

11. Landlord agrees to disclose this Waiver to any purchaser or successor to Landlord’s interest in the Premises.

12. In the event of any conflict between the terms of the Lease and the terms of this Waiver, the terms of this Waiver shall control and prevail.

13. All notices hereunder shall be in writing and sent by certified mail (return receipt requested), overnight mail or facsimile (with a copy to be sent by certified or overnight mail), to the other party at the address set forth on the signature page hereto or at such other address as such other party shall otherwise designate in accordance with this paragraph.

14. This Waiver and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. The Landlord hereby consents to the exclusive jurisdiction of any state court sitting in the State of New York or the United States District Court of the Southern District of New York, in any proceeding or dispute relating in any way to this Waiver, and agrees that any such proceeding shall be brought by it solely in any such court. The Landlord irrevocably waives all claims, objections and defenses that it may have regarding such court's personal or subject matter jurisdiction, venue or inconvenient forum.

15. Landlord agrees to give each Agent notice within (a) two days of termination of, any abandonment or surrender under, or default of any of the provisions of, the Lease (or any other circumstance which could lead to the termination of the Lease prior to the scheduled expiration date thereof), and (b) 30 days prior to any termination of the Lease or repossession of the Premises by Landlord, said notice to be at each Agent's address shown on the signature pages hereof, or such other address as Agent shall designate in a written notice to Landlord. Each Agent shall have the right, without the obligation, to cure any event of default under the Lease within ten days after the receipt of such notice. Any of the foregoing done by any Agent shall be effective to cure an event of default as if the same had been done by Company and shall not be deemed an assumption of the Lease or any of Company's obligations thereunder by such Agent. Landlord agrees no Agent shall have any obligations to Landlord under the Lease or otherwise or any obligation to assume the Lease or any obligations thereunder.

16. **WAIVER OF SPECIAL DAMAGES.** THE LANDLORD WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THE LANDLORD MAY HAVE TO CLAIM OR RECOVER FROM THE AGENTS IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

17. **JURY WAIVER.** THE LANDLORD AND EACH AGENT HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN THE LANDLORD AND ANY AGENT IN ANY WAY RELATED TO THIS WAIVER.

18. This Waiver shall continue in full force and affect until the indefeasible payment in full of all Obligations.

19. Each Agent agrees that as between the Agents, its rights and remedies hereunder are subject to the terms and conditions of that certain Intercreditor Agreement entered into between the Term Loan Agent and the Revolving Agent in connection with the Revolving Credit Documents and the Term Loan Documents.

[Signature Pages Follow]

This Waiver is executed and delivered by the Landlord as of the date first written above.

**LANDLORD:**

_____

By: _____
Name: _____
Title: _____

Notice Address:

_____

_____
Attention: _____
Facsimile: _____

**Accepted and agreed to by:**

**REVOLVING AGENT:**

BANK OF AMERICA, N.A., as Revolving Agent

By: _____
Name: _____
Title: _____

Notice Address:

333 S. Hope St, Suite 1300
Los Angeles, CA 90071-1406
Attn: Matthew R. Van Steenhuyse
Telecopy: (877) 207-2581

**TERM AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as Term Agent

By: _____
Name: _____
Title: _____

Notice Address:
Brightwood Loan Services LLC
810 7th Avenue, 26th Floor
New York, NY 10019
Attn: Brightwood Finance
Telecopy: 646-537-2648

**EXHIBIT A**

COPY OF LEASE

Exhibit F
To
Loan and Security Agreement

**FORM OF BAILEE LETTER**

_____, 201_

[INSERT BAILEE'S
NAME AND ADDRESS]

_____

_____

ATTN:_____

RE: Security Interest in Assets of [_____]

Ladies and Gentlemen:

[____], a/an [ ____] (the "Company"), has from time to time delivered and will continue to deliver or cause to be delivered from time to time certain property of the Company (collectively, the "Company Goods") located at the address specified above (the "Facility").

The Company has entered into that certain Loan and Security Agreement, dated as of May 12, 2017, among the Company, the other obligors party thereto, the Lenders party thereto (the "Lenders"), Bank of America, N.A., as agent for the Lenders and other secured parties (in such capacity, the "Agent") (as the same may be amended, supplemented, amended and restated, renewed or otherwise modified from time to time, the "Loan Agreement"), pursuant to which the Company will grant to the Agent and the Lenders, a security interest in, among other things, the Company Goods.

In furtherance of the foregoing,

(1) You acknowledge that the Company is not a lessee or tenant of the Facility or any portion thereof and that the Company Goods are not held by you as a consignee. You also acknowledge that the Company Goods are and will be sequestered, and stored, controlled, identified and accounted for separately, from the equipment, inventory and other similar property of yours and other parties.

(2) Pursuant to Uniform Commercial Code, Section 9-313(c)(1) and (c)(2), the person in possession of collateral subject to a security interest must authenticate a record acknowledging that it holds possession of the collateral for the secured party's benefit or takes possession of the collateral after acknowledging that it will hold possession of the Collateral for the secured party's benefit. You are hereby notified that, pursuant to the Loan Agreement, the Company will grant to the Agent and the Lenders, among other things, a lien on and security interest in the Company Goods and the proceeds thereof (the Company Goods and proceeds being collectively referred to as the "Collateral"), and you hereby acknowledge and agree that, as of the date of this letter agreement, you hold the Collateral for the benefit of the Agent and the Lenders and, if you hereafter take possession of additional Company Goods, you will hold such additional Collateral for the benefit of the Agent and the Lenders.

(3) You are hereby authorized to grant to the Agent and the Lenders the same access to the Company Goods which is available to the Company.

(4) Your authority to release the Company Goods to the Company will continue, subject to the condition that upon the written direction of the Agent, you shall refuse to release the Company Goods or any portion of the Company Goods to the Company or the Company's agent, and you may only release such Company Goods to the Agent or the party, designated by the Agent in such written direction.

(5) The Company agrees that you will have no liability to the Company if you comply with the Agent's written direction as described above. The Company further agrees that it will continue to pay all fees and expenses related to the processing of the Company Goods and will reimburse you for all reasonable costs and expenses incurred as a direct result of your compliance with the terms and provisions of this letter.

(6) You acknowledge and agree that, other than your possession of the Company Goods for the benefit of the Agent and the Lenders, that title in the Company Goods will at all times remain with the Company. You agree not to assert against any of the Collateral any statutory or possessory liens available to you, all of which you hereby waive.

(7) You agree that the Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Loan Agreement, or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code and also may (i) require the Company to assemble, at its expense, all or part of the Collateral as directed by the Agent and make it available to the Agent and the Lenders at the Facility or at another place designated by the Agent, and (ii) without notice to you, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, to third parties or to itself.

(8) This letter and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. You hereby consent to the exclusive jurisdiction of any state court sitting in the State of New York or the United States District Court of the Southern District of New York, in any proceeding or dispute relating in any way to this letter, and agree that any such proceeding shall be brought by you solely in any such court. You irrevocably waive all claims, objections and defenses that you may have regarding such court's personal or subject matter jurisdiction, venue or inconvenient forum.

(9) **WAIVER OF SPECIAL DAMAGES.** YOU WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT YOU MAY HAVE TO CLAIM OR RECOVER FROM THE AGENT IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

(10) **JURY WAIVER.** YOU AND AGENT HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN YOU AND AGENT IN ANY WAY RELATED TO THIS LETTER.

[Signature Pages Follow]

Very truly yours,

[_____]

By: _____
Name: _____
Title: _____

[Signature page to Bailee Letter]

**BANK OF AMERICA, N.A.**,
as Agent

By: _____
Name: _____
Title: _____

[Signature page to Bailee Letter]

**ACKNOWLEDGED AND AGREED TO AS OF THE DATE FIRST ABOVE WRITTEN.**
[INSERT NAME OF BAILEE]

By: _____
Name: _____
Title: _____

[Signature page to Bailee Letter]

EXHIBIT G
to
Loan and Security Agreement

**FORM OF JOINDER AGREEMENT**

THIS JOINDER AGREEMENT (this "Agreement"), dated as of [_____, ____], is by and among [_____, a _____] (the ["Additional Borrower"]["Additional Guarantor"]), Hydrofarm, LLC ("Hydrofarm", and in its capacity as borrower agent, the "Borrower Agent"), and BANK OF AMERICA, N.A., in its capacity as administrative agent (in such capacity, the "Agent ") under that certain Loan and Security Agreement, dated as of May 12, 2017 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Loan Agreement"), by and among the Obligors, the Lenders and the Agent. Capitalized terms used herein but not otherwise defined shall have the meanings provided in the Loan Agreement.

The [Additional Borrower][Additional Guarantor] is an additional Obligor, and, consequently, the Obligors are required by Section 10.1.9 of the Loan Agreement to cause the [Additional Borrower][Additional Guarantor] [to become a "Borrower" thereunder][enter into a Guaranty].

Accordingly, the [Additional Borrower][Additional Guarantor] and the Borrower Agent hereby agree as follows with the Agent, for the benefit of the Lenders:

1. The [Additional Borrower][Additional Guarantor] hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the [Additional Borrower][Additional Guarantor] will be deemed to be a party to and a ["Borrower"]["Guarantor"] under the Loan Agreement and shall have all of the obligations of a [Borrower] [Guarantor] thereunder as if it had executed the Loan Agreement. [The Additional Guarantor hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the applicable Loan Documents, including, without limitation (a) all of the representations and warranties set forth in Section 9 of the Loan Agreement and (b) all of the affirmative and negative covenants set forth in Section 10 of the Loan Agreement. Without limiting the generality of the foregoing terms of this Paragraph 1, the Additional Guarantor hereby guarantees, jointly and severally together with the other Guarantors, the prompt payment of the Secured Obligations in accordance with the Guaranty] [1].

2. Each of the [Additional Borrower][Additional Guarantor] and the Borrower Agent hereby agree that all of the representations and warranties contained in Section 9 of the Loan Agreement and each other Loan Document are true and correct as of the date hereof.

1 To be included if new loan party is to join as a "Guarantor"

3. The [Additional Borrower][Additional Guarantor] hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the [Additional Borrower][Additional Guarantor] will be deemed to be a party to the Loan Agreement, and shall have all the rights and obligations of an "Obligor" thereunder as if it had executed the Loan Agreement. The [Additional Borrower][Additional Guarantor] hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Loan Agreement. Without limiting the generality of the foregoing terms of this Paragraph 3, the [Additional Borrower][Additional Guarantor] hereby grants, pledges and assigns to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in, and a right of set off, to the extent applicable, against any and all right, title and interest of the [Additional Borrower][Additional Guarantor] in and to the Collateral of the [Additional Borrower][Additional Guarantor].

4. The [Additional Borrower][Additional Guarantor] acknowledges and confirms that it has received a copy of the Loan Agreement and the schedules and exhibits thereto and each Loan Document and the schedules and exhibits thereto. The information on the schedules to the Loan Agreement are hereby supplemented (to the extent permitted under the Loan Agreement) to reflect the information shown on the attached Schedule A.

5. The Borrower Agent confirms that the Loan Agreement is, and upon the [Additional Borrower][Additional Guarantor] becoming a [Borrower][Guarantor], shall continue to be, in full force and effect. The parties hereto confirm and agree that immediately upon the [Additional Borrower][Additional Guarantor] becoming a [Borrower][Guarantor] the term "Obligations," as used in the Loan Agreement, shall include all obligations of the [Additional Borrower][Additional Guarantor] under the Loan Agreement and under each other Loan Document.

6. Each of the Borrower Agent and the [Additional Borrower][Additional Guarantor] agrees that at any time and from time to time, upon the written request of the Agent, it will execute and deliver such further documents and do such further acts as the Agent may reasonably request in accordance with the terms and conditions of the Loan Agreement and the other Loan Documents in order to effect the purposes of this Agreement.

7. This Agreement may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

8. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. The terms of Sections 14.14 and 14.15 of the Loan Agreement are incorporated herein by reference, mutatis mutandis, and the parties hereto agree to such terms.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the Borrower Agent and the [Additional Borrower][Additional Guarantor] has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[ADDITIONAL BORROWER][ADDITIONAL GUARANTOR]:

[ADDITIONAL BORROWER][ADDITIONAL GUARANTOR]

By: _____
Name: _____
Title: _____

BORROWER AGENT:

HYDROFARM, LLC,
a California limited liability company

By: _____
Name: _____
Title: _____

Acknowledged, accepted and agreed:

BANK OF AMERICA, N.A.,
as Agent

By: _____
Name: _____
Title: _____

**Schedule A**

**Schedules to Loan and Security Agreement**

EXHIBIT H
to
Loan and Security Agreement

**FORM OF SOLVENCY CERTIFICATE**

[ ], 2017

In connection with Section 6.1(g) of that certain Loan and Security Agreement (including all exhibits and schedules thereto, as the same may be amended, supplemented, restated, and/or otherwise modified from time to time, the "Loan and Security Agreement") of even date herewith by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"; immediately upon consummation of the Closing Date Acquisition and execution of the Assumption Agreement, Holdings shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC, a Delaware limited liability company ("EHH "), SunBlaster LLC, a Delaware limited liability company ("SunBlaster") and WJCO LLC, a Colorado limited liability company (" WJCO" and together with Holdings, Hydrofarm, EHH, and SunBlaster, each, a "Loan Party" and collectively, the "Loan Parties")), the other parties from time to time signatory thereto as Obligors thereunder, the financial institutions party thereto as Lenders thereunder, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Administrative Agent"), the undersigned hereby delivers this Closing and Solvency Certificate in his representative capacity on behalf of the Loan Parties. Terms used but not otherwise defined herein are used herein as defined in the Loan and Security Agreement. The undersigned hereby certifies on behalf of the Loan Parties that as of the date hereof:

1. The Closing Equity Contribution has been consummated or shall be consummated substantially simultaneously with the funding of the initial Revolver Loans.

2. Immediately before and after giving effect to the Transactions, the Specified Acquisition Agreement Representations are true and correct in all respects.

3. Immediately before and after giving effect to the Transactions, the Specified Representations are true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties are true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the initial Loans under the Loan and Security Agreement and the consummation of the other Transactions on the date hereof.

4. Since December 31, 2015, there has not occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Purchase Agreement).

5. Upon giving effect to the initial funding of Loans and issuance of Letters of Credit, the consummation of the Closing Date Acquisition, the payment by Borrowers of all fees and expenses incurred in connection herewith and in connection with the Term Loan Facility and the other Transactions as well as any payables stretched beyond their customary payment practices, Availability is at least $10,000,000.

6. Attached hereto as Exhibit A is a true, correct, and complete copy of the material Term Loan Documents.

7. Attached hereto as Exhibit B is a true, correct, and complete copy of the material acquisition documents related to the Closing Date Acquisition.

8. Immediately before and after giving effect to the Transactions, Obligors and Subsidiaries, taken as a whole, are Solvent.

*[remainder of page intentionally left blank; signature page follows]*

**Exhibit A**

**Term Loan Documents**

**Exhibit B**

**Acquisition Documents**

SCHEDULE 1.1
to
Loan and Security Agreement

**COMMITMENTS OF LENDERS**

| Lender | Revolver Commitment |
|---|---|
| Bank of America, N.A. | $ 45,000,000 |
| TOTAL | $ 45,000,000 |

**Schedule 1.2**
**EBITDA and Fixed Charge Coverage Ratio Amounts**

**Schedule 8.5**

**Deposit Accounts**

**Schedule 8.6.1**

**Business Locations**

**Schedule 9.1.4**

**Names and Capital Structure**

**Schedule 9.1.5**

**Special Flood Hazard Zone**

**Schedule 9.1.11**

**Patents, Trademarks, Copyrights and Licenses**

**Schedule 9.1.14**

**Environmental Matters**

**Schedule 9.1.16**

**Litigation**

**Schedule 9.1.18**

**Pension Plans**

**Schedule 9.1.20**

**Labor Contracts**

**Schedule 10.2.1**

**Existing Debt**

**Schedule 10.2.2**

**Existing Liens**

**Schedule 10.2.17**

**Existing Affiliate Transactions**

**Exhibit 10.2**

EXECUTION VERSION

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**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

Dated as of November 8, 2017

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**HYDROFARM HOLDINGS LLC,**

as Holdings

**HYDROFARM, LLC,**
**WJCO LLC,**
**EHH HOLDINGS, LLC,**
**SUNBLASTER LLC,**

as U.S. Borrowers,

**GS DISTRIBUTION INC.,**
**SUNBLASTER HOLDINGS ULC, and**
**EWGS DISTRIBUTION INC.** (to be succeeded by
**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.),**
**,**

as Canadian Borrowers

**THE OTHER PERSONS SIGNATORY HERETO AS OBLIGORS,**

**CERTAIN FINANCIAL INSTITUTIONS,**

as Lenders,

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**BANK OF AMERICA, N.A.,**

as Agent

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**BANK OF AMERICA, N.A.,**

as Sole Lead Arranger and Sole Bookrunner

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**LIST OF EXHIBITS AND SCHEDULES**

Exhibits to Amended and Restated Loan and Security Agreement



Schedules to Amended and Restated Loan and Security Agreement

**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

**THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT** (including all exhibits and schedules hereto, as the same may be amended, supplemented, restated, and/or otherwise modified from time to time, this "Agreement") is dated as of November 8, 2017, among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company (" EHH"), **SUNBLASTER LLC**, a Delaware limited liability company ("SunBlaster"), and **WJCO LLC**, a Colorado limited liability company ("WJCO"; together with Hydrofarm, EHH, SunBlaster and any other party joined hereto as a U.S. Borrower, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **GS DISTRIBUTION INC.,** a British Columbia company ("GSD"), **EWGS DISTRIBUTION INC**., a British Columbia company ("EWGS"; immediately upon consummation of the Share Acquisition and execution of the Assumption Agreement, EWGS shall be succeeded as a Canadian Borrower hereunder by **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi and any other party joined hereto as a Canadian Borrower, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers "; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers"), the other parties from time to time signatory hereto as Obligors, the financial institutions party to this Agreement from time to time as lenders (each, a "Lender" and collectively, the "Lenders "), and **BANK OF AMERICA, N.A.**, a national banking association, as agent for the Lenders (in such capacity, "Agent").

**R E C I T A L S:**

**WHEREAS**, Holdings, U.S. Borrowers, Lenders and Agent originally entered into that certain Loan and Security Agreement, dated as of May 12, 2017 (as amended, restated, supplemented or otherwise modified from time to time, the " Original Loan Agreement") and certain other loan documents relating to the same (the "Original Loan Documents").

**WHEREAS**, pursuant to the Purchase Agreements (as defined herein), GSD and EWGS intend to acquire certain assets and Equity Interests (as defined herein) of entities formed under the laws of British Columbia, Canada, and Holdings has requested that Agent and Lenders (a) finance such acquisitions, (b) join the Canadian Borrowers to the Original Loan Agreement and allow such Canadian Borrowers to obtain credit accommodations from Canadian Secured Parties as more specifically set forth herein, and (c) finance the U.S. Borrowers' and Canadian Borrowers' mutual and collective business enterprise.

**WHEREAS**, Agent and Lenders are willing to amend and restate the Original Loan Agreement as requested and provide a credit facility to U.S. Borrowers and Canadian Borrowers on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, for valuable consideration hereby acknowledged, the parties agree to amend and restate the Original Loan Agreement as follows:

**SECTION 1. DEFINITIONS; RULES OF CONSTRUCTION**

**1.1. Definitions**. As used herein, the following terms have the meanings set forth below:

ABL Priority Collateral : (a) as defined in the Intercreditor Agreement (it being understood and agreed that any time the Term Loan Facility is not in effect, the term "ABL Priority Collateral" shall mean all Collateral) and (b) the Collateral of Canadian Obligors on which a Lien is granted to Agent, for the benefit of the Canadian Secured Parties, hereunder or under any other Loan Document.

Account: as defined in the UCC, or if applicable, the PPSA, including all rights to payment for goods sold or leased, or for services rendered.

Account Debtor: a Person obligated under an Account, Chattel Paper or General Intangible.

Acquisition: a transaction or series of transactions resulting, directly or indirectly, in (a) acquisition of all or a substantial portion of a business, unit, division or substantially all assets of a Person; (b) record or beneficial ownership of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary; or (c) merger, amalgamation, consolidation or combination of a Borrower or a Subsidiary with another Person (other than a Person that is already a Subsidiary, subject to **Section 10.2(i)**).

Affiliate: with respect to a specified Person, (a) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, and (b) solely with respect to **Sections 10.2(q)**, **13.3(c)** , **14.11** and **14.12**, any officer or director of such Person. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings. Unless expressly stated otherwise herein, neither Agent nor any Lender shall be deemed an Affiliate of any Obligor.

Agent: as defined in the preamble to this Agreement.

Agent Indemnitees: Agent and its officers, directors, employees, Affiliates, branches, agents and attorneys.

Agreement: as defined in the preamble hereto.

Agreement Currency: as defined in **Section 1.5**.

Agent Professionals: attorneys, accountants, appraisers, auditors, business valuation experts, environmental engineers or consultants, turnaround consultants, and other professionals and experts retained by Agent.

Allocable Amount: as defined in **Section 5.11(d)**.

AML Legislation: as defined in **Section 14.20**.

Anti-Terrorism Law: (a) any law relating to terrorism or money laundering, including (i) the Patriot Act, (ii) the United States Foreign Corrupt Practices Act of 1977, as amended, (iii) the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, (iv) the Corruption of Foreign Public Officials Act (Canada), as amended, and (v) the UK Bribery Act, as amended, and (b) any applicable international economic sanctions administered or enforced from time to time by (i) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, (ii) the European Union or (iii) the Government of Canada, including the AML Legislation.

Applicable Law: all laws, rules, regulations and governmental guidelines applicable to the Person, conduct, transaction, agreement or matter in question, including all applicable statutory law, common law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

Applicable Margin: the margin set forth below, as determined by the Average Global Availability for the last Fiscal Quarter:

| Level | Average Global Availability As a Percentage of Revolver Commitments | Canadian Prime Rate Revolver Loans, Canadian Base Rate Revolver Loans and U.S. Base Rate Revolver Loans (other than U.S. FILO Loans) | Canadian BA Rate Revolver Loans, Canadian LIBOR Revolver Loans and U.S. LIBOR Revolver Loans (other than U.S. FILO Loans) | U.S. Base Rate U.S. FILO Loans | U.S. LIBOR U.S.FILO Loans |
|---|---|---|---|---|---|
| I | > 56% | 0.75% | 1.50% | 1.75% | 2.75% |
| II | > 22% and < 56% | 1.00% | 1.75% | 2.00% | 3.00% |
| III | < 22% | 1.25% | 2.00% | 2.25% | 3.25% |

Margins shall be subject to increase or decrease by Agent on the first day of the calendar month following each Fiscal Quarter end based upon Average Global Availability for the Fiscal Quarter then ended. If Agent is unable to calculate Average Global Availability for a Fiscal Quarter due to Borrowers' failure to deliver any Borrowing Base Report when required hereunder, then, at the option of Agent or Required Lenders, margins shall be determined as if Level III were applicable until the first day of the calendar month following its receipt.

Applicable Time Zone: for borrowings under, and payments due by Borrowers or Lenders on (a) with respect to U.S. Revolver Loans, time of day in Los Angeles, California, and (b) with respect to Canadian Revolver Loans, time of day in Toronto, Ontario.

Approved Fund: any Person (other than a natural Person) engaged in making, purchasing, holding or otherwise investing in commercial loans in its ordinary course of activities and that is advised, administered, or managed by a Lender, an Affiliate or branch of a Lender (or an entity or an Affiliate of an entity that administers, advises or manages a Lender).

Asset Acquisition: The acquisition by GS Distribution Inc. of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business for a purchase price of $8,873,926 pursuant to and in accordance with the Asset Purchase Agreement.

Asset Disposition: a sale, lease, license, consignment, transfer or other disposition of Property of an Obligor, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

Asset Purchase Agreement: The asset purchase agreement dated October 20, 2017 among Greenstar Plant Products Inc., as vendor, GS Distribution Inc., as purchaser, and Hydrofarm, as guarantor.

Assignment and Acceptance: an assignment and acceptance agreement between a Lender and Eligible Assignee, in the form of **Exhibit A** or otherwise satisfactory to Agent.

Assumption Agreement: that certain Borrower/Guarantor Assumption Agreement dated as of the Closing Date, among, Eddi, EWGS and Agent.

Average Global Availability : as of any date of determination, an amount equal to the quotient of (a) the sum of the end of day Global Availability for each day of the applicable measurement period, divided by (b) the number of days in such measurement period, all as reasonably determined by Agent.

Available Currency: (a) in the case of a U.S. Borrower, Dollars, and (b) in the case of a Canadian Borrower, Canadian Dollars or Dollars.

Bail-In Action: the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

Bail- In Legislation: with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

Bank of America: Bank of America, N.A. and its successors.

Bank of America-Canada Branch: Bank of America, N.A. (acting through its Canada branch) and its successors.

Bank of America Indemnitees: Bank of America and its officers, directors, employees, Affiliates, branches, agents and attorneys.

Bank Product: U.S. Bank Product and/or Canadian Bank Product, as the context requires.

Bank Product Reserve: U.S. Bank Product Reserve and/or Canadian Bank Product Reserve, as the context requires.

Bankruptcy Code: Title 11 of the United States Code.

BIA: the Bankruptcy and Insolvency Act (Canada).

Board of Governors: the Board of Governors of the Federal Reserve System.

Borrowed Money: with respect to any Obligor, without duplication, its (a) Debt that (i) arises from the lending of money by any Person to such Obligor, (ii) is evidenced by notes, drafts, bonds, debentures, credit documents or similar instruments, (iii) accrues interest or is a type upon which interest charges are customarily paid (excluding trade payables owing in the Ordinary Course of Business), or (iv) was issued or assumed as full or partial payment for Property; (b) Capital Leases; (c) unpaid reimbursement obligations with respect to letters of credit; and (d) guaranties of any Debt of the foregoing types owing by another Person.

Borrower Agent: as defined in **Section 4.4**.

Borrower and Borrowers: as defined in the preamble to this Agreement.

Borrower Materials: Borrowing Base Reports, Compliance Certificates and other information, reports, financial statements and other materials delivered by Obligors hereunder, as well as other Reports and information provided by Agent to Lenders.

Borrowing: a group of Revolver Loans that are made or converted together on the same day and have the same interest option and, if applicable, Interest Period.

Borrowing Base: the U.S. Borrowing Base and/or the Canadian Borrowing Base, as the context requires.

Borrowing Base Report: a report of the Borrowing Base, in form and substance satisfactory to Agent in its Permitted Discretion.

Business Day : any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York; if such day relates to any Canadian Revolver Loan or Canadian Lender, any day on which commercial banks are authorized to close under the laws of, or are in fact closed in, Toronto, Ontario; and if such day relates to an Interest Period Loan, any such day on which dealings in Dollar deposits are conducted in the London interbank market.

CAM Exchange: the exchange of the U.S. Lenders' interests and the Canadian Lenders' interests as provided for in **Section 5.13**.

CAM Exchange Date: the first date after the Closing Date on which the Revolver Commitments shall have terminated in accordance with **Section 12.2** and there shall occur an acceleration of Revolver Loans and termination of the Revolver Commitments pursuant to **Section 12.2**.

CAM Percentage: as to each Lender, a fraction expressed as a percentage, (i) the numerator of which shall be the aggregate amount of such Lender's Revolver Commitments immediately prior to the CAM Exchange Date, and (ii) the denominator of which shall be the amount of the Revolver Commitments of all the Lenders immediately prior to the CAM Exchange Date.

Canadian Accounts Formula Amount: 85% of the Value of Eligible Accounts of Canadian Borrowers.

Canadian Availability: the Canadian Borrowing Base minus Canadian Revolver Usage.

Canadian Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to Canadian Borrowers; (b) the Rent and Charges Reserve related to the locations of Canadian Borrowers; (c) the Canadian Bank Product Reserve; (d) all accrued Royalties, then due and payable by Canadian Borrowers; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of Canadian Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of Canadian Borrowers; (g) the Canadian Priority Payables Reserve; and (h) such additional reserves, in such amounts and with respect to such matters related to Canadian Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

Canadian BA Rate Loan: each set of Canadian BA Rate Revolver Loans having a common length and commencement of Interest Period.

Canadian BA Rate Revolver Loan: a Canadian Revolver Loan that bears interest based on CDOR.

Canadian Bank Product: any of the following products, services, or facilities extended to any Canadian Obligor or Affiliate of a Canadian Obligor (other than a U.S. Obligor) by a Canadian Lender or any of its Affiliates or branches: (a) Cash Management Services; (b) products under Hedging Agreements; (c) commercial credit card and merchant card services; and (d) leases and other banking products or services, other than Letters of Credit.

Canadian Bank Product Reserve: the aggregate amount of reserves established by Agent from time to time in its Permitted Discretion in respect of Secured Bank Product Obligations of Canadian Obligors.

Canadian Base Rate: for any day, the greater of (a) the per annum rate of interest designated by Bank of America-Canada Branch from time to time as its base rate for commercial loans made by it in Dollars, which rate is based on various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate; (b) the Federal Funds Rate for such day, plus 0.50% per annum; or (c) LIBOR for a 30 day interest period as of such day, plus 1.00%; provided, that in no event shall the Canadian Base Rate be less than zero. Any change in such rate shall take effect at the opening of business on the applicable Business Day.

Canadian Base Rate Revolver Loan: a Canadian Revolver Loan funded in Dollars and bearing interest calculated by reference to the Canadian Base Rate.

Canadian Borrowers: as defined in the preamble to this Agreement, and any other Canadian Obligor that becomes a Canadian Borrower pursuant to **Section 10.1(i)(y)**.

Canadian Borrowing Base : on any date of determination, the Dollar Equivalent amount equal to the lesser of (a) (i) the aggregate Canadian Revolver Commitments, minus (ii) the Canadian Availability Reserve; or (b) the sum of (i) the Canadian Accounts Formula Amount, plus (ii) the Canadian Inventory Formula Amount, minus (iii) the Canadian Availability Reserve.

Canadian Borrowing Base Report: a report of the Canadian Borrowing Base by Canadian Borrowers, in form and substance reasonably satisfactory to Agent.

Canadian Collateral: all Property of any Canadian Borrower described in **Section 7.1**, all Property of any Canadian Obligor described in any Security Documents as security for any Canadian Obligations, and all other Property of any Canadian Obligor that now or hereafter secures (or is intended to secure) any Canadian Obligations or guaranty thereof.

Canadian Defined Benefit Pension Plan: a Canadian Pension Plan which contains a "defined benefit provision" as defined in subsection 147.1(1) of the Income Tax Act (Canada).

Canadian Dollars or "Cdn$": refers to lawful money of Canada.

Canadian Employee Plan: any employee benefit plan, policy, program, agreement or arrangement, including retirement, pension, profit sharing, employment, bonus or other incentive compensation, retention, stock purchase, equity or equity-based compensation, deferred compensation, change in control, severance, sick leave, vacation, loans, salary continuation, hospitalization, health, life insurance, educational assistance or other fringe benefit or perquisite plan, policy, agreement which is or was sponsored, maintained or contributed to by, or required to be contributed to by, a Canadian Obligor, or with respect to which a Canadian Obligor has, or could reasonably be expected to have, any obligation or liability, contingent or otherwise, but excluding the Canada Pension Plan, Quebec Pension Plan and any provincial or federal program providing health benefits, employment insurance or workers' compensation benefits.

Canadian Guarantor: Holdings, each U.S. Obligor, EWGS (upon its execution of joinder in the form of Exhibit G hereto) and each other Person that guarantees payment or performance of Canadian Obligations pursuant to a Guaranty.

Canadian Inventory Formula Amount: the lesser of (i) up to 70% of the Value of Eligible Inventory of Canadian Borrowers or (ii) 85% of the NOLV Percentage of the Value of Eligible Inventory of Canadian Borrowers.

Canadian LC Obligations: the Dollar Equivalent sum of (a) all amounts owing by Canadian Borrowers for drawings under Letters of Credit issued at the request of Canadian Borrowers; and (b) the Stated Amount of all outstanding Letters of Credit issued at the request of Canadian Borrowers.

Canadian Lender: Bank of America- Canada Branch and any other Person having Canadian Revolver Commitments from time to time or at any time, each of which is a Canadian Qualified Lender unless otherwise permitted in this Agreement.

Canadian LIBOR Loan: each set of Canadian LIBOR Revolver Loans having a common length and commencement of Interest Period.

Canadian LIBOR Revolver Loan: a Canadian Revolver Loan that bears interest based on LIBOR.

Canadian Multi-Employer Plan: each multi-employer plan, within the meaning of the Regulations under the Income Tax Act (Canada).

Canadian Obligations : on any date, the portion of the Obligations outstanding that are owing by Canadian Obligors.

Canadian Obligor: Canadian Borrowers and any Guarantor formed or organized under the laws of Canada or any province or territory thereof.

Canadian Overadvance: as defined in **Section 2.1(e)**.

Canadian Overadvance Loan: a Canadian Prime Rate Revolver Loan made when a Canadian Overadvance exists or is caused by the funding thereof.

Canadian Pension Plan: a "registered pension plan," as defined in the Income Tax Act (Canada) and any other pension plan maintained or contributed to by, or to which there is or may be an obligation to contribute by, any Canadian Obligor in respect of its Canadian employees or former employees, excluding, for greater certainty, a Canadian Multi-Employer Plan.

Canadian Prime Rate: for any day, the greater of (a) the per annum rate of interest designated by Bank of America-Canada Branch from time to time as its prime rate for commercial loans made by it in Canada in Canadian Dollars, which rate is based on various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate; or (b) CDOR for a one month interest period as of such day, plus 1.00%; provided, that in no event shall the Canadian Prime Rate be less than zero. Any change in such rate shall take effect at the opening of business on the applicable Business Day.

Canadian Prime Rate Revolver Loan: any Canadian Revolver Loan that bears interest based on the Canadian Prime Rate.

Canadian Priority Payables Reserve: on any date of determination, a reserve in such amount as Agent may determine in its Permitted Discretion which reflects amounts secured by any Liens, choate or inchoate, which rank or are capable of ranking in priority to or pari passu with Agent's and/or the Secured Parties' Liens, including, without limitation, any such amounts due and not paid for wages, severance pay or vacation pay (including amounts protected by the Wage Earner Protection Program Act (Canada)), amounts due and not paid under any legislation relating to workers' compensation or to employment insurance, all amounts deducted or withheld and not paid and remitted when due under the Income Tax Act (Canada), sales tax, goods and services tax, value added tax, harmonized tax, excise tax, tax payable pursuant to Part IX of the Excise Tax Act (Canada) or similar applicable provincial legislation, government royalties, amounts currently or past due and not paid for realty, municipal or similar taxes, all amounts currently or past due and not contributed, remitted or paid to any Canadian Pension Plan or under the Canada Pension Plan, the Quebec Pension Plan or the PBA, and any amounts representing any unfunded liability, solvency deficiency or wind up deficiency with respect to any Canadian Pension Plan.

Canadian Protective Advances: as defined in **Section 2.1(e)(i)**.

Canadian Qualified Lender: means a financial institution that is listed on Schedule I, II or III of the Bank Act (Canada), has received an approval to have a financial establishment in Canada pursuant to Section 522.21 of the Bank Act (Canada) or is not a foreign bank for purposes of the Bank Act (Canada) or is not prohibited by Applicable Law, including the Bank Act (Canada) from having a Canadian Revolver Commitment, or making any Canadian Revolver Loans or having any Canadian LC Obligations under this Agreement, and if such financial institution is not resident in Canada and is not deemed to be resident in Canada for purposes of the Income Tax Act (Canada), then such financial institution is not a "specified shareholder" of a Canadian Obligor and deals at arm's length with each Canadian Obligor and each "specified shareholder" of each Canadian Obligor for purposes of the Income Tax Act (Canada).

Canadian Required Lenders: two or more unaffiliated Canadian Secured Parties holding more than 50% of (a) the aggregate outstanding Canadian Revolver Commitments; or (b) following termination of the Canadian Revolver Commitments, the aggregate outstanding Canadian Revolver Loans and Canadian LC Obligations or, if all Canadian Revolver Loans and Canadian LC Obligations have been Paid in Full, the aggregate remaining Canadian Obligations; provided, however, that Canadian Revolver Commitments, Canadian Revolver Loans and other Canadian Obligations held by a Defaulting Lender and its Affiliates and branches shall be disregarded in making such calculation, but any related Fronting Exposure shall be deemed held as a Canadian Revolver Loan or Canadian LC Obligation by the Canadian Secured Party that funded the applicable Canadian Revolver Loan or issued the applicable Letter of Credit issued at the request of a Canadian Borrower.

Canadian Revolver Commitment: for any Canadian Lender, its obligation to make Canadian Revolver Loans and to participate in Canadian LC Obligations up to the maximum principal Dollar Equivalent amount in the applicable Available Currency equal to the amount shown on **Schedule 1.1**, as hereafter modified pursuant to an Assignment to which it is a party.

Canadian Revolver Commitments: means the aggregate amount of Canadian Revolver Commitments of all Canadian Lenders.

Canadian Revolver Loan: a loan made by Canadian Lenders to Canadian Borrowers pursuant to **Section 2.1(a)(i)** , which Revolver Loan shall, if denominated in Canadian Dollars, be either a Canadian BA Rate Revolver Loan or a Canadian Prime Rate Revolver Loan and, if denominated in Dollars, shall be either a Canadian Base Rate Revolver Loan or a Canadian LIBOR Loan, in each case as selected by Canadian Borrowers or the Borrower Agent, and including any Canadian Swingline Loan, Canadian Overadvance Loan or Canadian Protective Advance.

Canadian Revolver Usage: the Dollar Equivalent amount of (a) the aggregate amount of outstanding Canadian Revolver Loans; plus (b) the aggregate Stated Amount of outstanding Letters of Credit issued at the request of Canadian Borrowers, except to the extent Cash Collateralized by Canadian Borrowers.

Canadian Secured Parties: Agent, Issuing Bank, Canadian Lenders and Secured Bank Product Providers.

Canadian Security Agreements: each security agreement, deed of hypothec or other instrument or document executed and delivered by any Canadian Obligor to Agent pursuant to this Agreement or any other Loan Document granting a Lien on assets of any Canadian Obligor for the benefit of the Canadian Secured Parties, as security for the Canadian Obligations.

Canadian Swingline Loan: any Borrowing by Canadian Borrowers of Canadian Prime Rate Revolver Loans or Canadian Base Rate Revolver Loans funded with Agent's (acting through its Canada branch) funds, until such Borrowing is settled among Canadian Lenders or repaid by Canadian Borrowers.

Capital Expenditures: (a) all expenditures made and capitalized by Holdings, Borrowers, and Subsidiaries for property, plant, equipment, other fixed assets (including any such expenditures by way of Acquisition of a Person or by way of incurrence or assumption of Debt or other obligations, to the extent reflected as plant, property, equipment or other fixed assets), research and development or other long-term assets, but in each case excluding any portion of the purchase price paid with respect to any Permitted Acquisition, plus, (b) deposits made in anticipation of the purchase of such property, plant, and equipment, less such deposits previously included, less (c) (i) Net Proceeds of asset dispositions received which (x) Holdings, Borrowers, or Subsidiaries are permitted to reinvest pursuant to the terms of this Agreement and (y) are included in expenditures made and capitalized above, (ii) Net Proceeds of property insurance policies received which (x) Holdings, Borrowers, or Subsidiaries are permitted to reinvest pursuant to the terms of this Agreement and (y) are included in expenditures made and capitalized above, (iii) capitalized trade- ins of Equipment that is worn, damaged or obsolete with Equipment of like function and value, and (iv) Capital Expenditures financed with common Equity Interests issued by Holdings.

Capital Lease: any lease required to be capitalized for financial reporting purposes in accordance with GAAP.

Cash Collateral: cash delivered to Agent to Cash Collateralize any Obligations, and all interest, dividends, earnings and other proceeds relating thereto.

Cash Collateral Account: a demand deposit, money market or other account established by Agent at such financial institution as Agent may select in its discretion, which account shall be subject to a Lien in favor of Agent.

Cash Collateralize: the delivery of cash to Agent, as security for the payment of Obligations, in an amount equal to (a) with respect to LC Obligations, 105% of the aggregate LC Obligations and (b) with respect to (i) any inchoate or contingent Obligations with respect to which a claim has been asserted in writing and (ii) any other Obligations (including Secured Bank Product Obligations), in each case of **clause (b)**, Agent's good faith estimate of the amount due or to become due, including fees, expenses and indemnification hereunder. "Cash Collateralization" has a correlative meaning.

Cash Dominion Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs or (ii) (x) Global Availability is at any time less than 12.5% of the Revolver Commitment for at least five (5) consecutive Business Days or (y) Global Availability is at any time less than 10% of the Revolver Commitment or (z) U.S. Availability is at any time less than $5,000,000; and (b) continuing until, during each of the preceding 30 consecutive days, no Event of Default has existed and Global Availability has been greater than 12.5% of the Revolver Commitment and U.S. Availability has been greater than $5,000,000.

Cash Equivalents: (a) marketable obligations issued or unconditionally guaranteed by, and backed by the full faith and credit of, the U.S. government or Canadian government or any agency thereof the obligations of which are backed by the full faith and credit of the U.S. government or Canadian government, as applicable, maturing within twelve (12) calendar months of the date of acquisition; (b) certificates of deposit, guaranteed investment certificates, time deposits and bankers' acceptances maturing within 12 calendar months of the date of acquisition, and overnight bank deposits, in each case which are issued by Bank of America or a commercial bank organized under the laws of the United States or any state or district thereof, or of Canada, in each case rated A-1 (or better) by S&P or P-1 (or better) by Moody's at the time of acquisition, and (unless issued by a Lender) not subject to offset rights; (c) repurchase obligations with a term of not more than 30 days for underlying investments of the types described in **clauses (a)** and **(b)** entered into with any bank described in **clause (b)**; (d) commercial paper issued by Bank of America or rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and maturing within nine (9) calendar months of the date of acquisition; and (e) shares of any money market fund that has substantially all of its assets invested continuously in the types of investments referred to above, has net assets of at least $500,000,000 and has the highest rating obtainable from either Moody's or S&P.

Cash Management Services : services relating to operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, lockbox and stop payment services.

CDOR: a per annum rate of interest equal to the Canadian Dollar bankers' acceptance rate, or comparable or successor rate approved by Agent, determined by it at or about 10:00 a.m. (Toronto time) on the applicable day (or the preceding Business Day, if the applicable day is not a Business Day) for a term comparable to the Revolver Loan, as published on the CDOR or other applicable Reuters screen page (or other commercially available source designated by Agent from time to time); provided, that in no event shall CDOR be less than zero.

CERCLA: the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

Change in Law: the occurrence, after the date hereof, of (a) the adoption, taking effect or phasing in of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof; or (c) the making, issuance or application of any request, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that "Change in Law" shall include, regardless of the date enacted, adopted or issued, all requests, rules, guidelines, requirements or directives (i) under or relating to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or (ii) promulgated pursuant to Basel III by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar authority) or any other Governmental Authority.

Change of Control: (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all Equity Interests in all Borrowers and other Obligors, except as expressly permitted by **Section 10.2(i)**; (b) Sponsor and Co-Investor, collectively, cease to directly or indirectly (x) own and control, beneficially and of record, at least 50.1% of the Equity Interests of Holdings; or (y) possess the right to elect (through contract, ownership of voting securities or otherwise) at all times a majority of the board of directors (or similar governing body) of Holdings or to direct the management policies and decisions of Holdings; (c) Sponsor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Holdings representing at least 50% of the voting power and at least 50% of the economic interest represented by the Equity Interests of Holdings held by Sponsor on the Initial Closing Date; or (d) any "change of control" (or similar term) under the Term Loan Facility, the Term Loan Documents or any Subordinated Debt, while outstanding, shall have occurred.

Claims: all claims, liabilities, obligations, losses, damages, penalties, judgments, proceedings, interest, costs and expenses of any kind (including remedial response costs, reasonable attorneys' fees and Extraordinary Expenses) at any time (including after Full Payment of the Obligations or replacement of Agent or any Lender) incurred by any Indemnitee or asserted against any Indemnitee by any Obligor or other Person, in any way relating to (a) any Revolver Loans, Letters of Credit, Loan Documents, Borrower Materials, or the use thereof or transactions relating thereto, (b) any action taken or omitted in connection with any Loan Documents, (c) the existence or perfection of any Liens, or realization upon any Collateral, (d) exercise of any rights or remedies under any Loan Documents or Applicable Law, or (e) failure by any Obligor to perform or observe any terms of any Loan Document, in each case including all costs and expenses relating to any investigation, litigation, arbitration or other proceeding (including an Insolvency Proceeding or appellate proceedings), whether or not the applicable Indemnitee is a party thereto.

Closing Date: November 8, 2017.

Closing Date Acquisition: The Asset Acquisition and the Share Acquisition.

Code: the Internal Revenue Code of 1986, as amended.

Co-Investor: collectively, (a) Aaron Serruya, Michael Serruya, Simon Serruya, and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (b) Serruya Private Equity and its Controlled Investment Affiliates and (c) BCM X3 Holdings, LLC and its Controlled Investment Affiliates.

Collateral: Canadian Collateral and/or U.S. Collateral, as the context requires.

Collateral Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs or (ii) (x) Global Availability is at any time less than 20.0% of the Revolver Commitment for at least five (5) consecutive Business Days or (y) U.S. Availability is at any time less than $ 5,000,000; and (b) continuing until, during each of the preceding 30 consecutive days, no Event of Default has existed, Global Availability has been greater than 20.0% of the Revolver Commitment and U.S. Availability is greater than $5,000,000.

Colorado Property: that certain Real Property located at 4200 East 50th Avenue in Denver, Colorado.

Commitment Termination Date: the earliest to occur of (a) the Revolver Termination Date; (b) the date on which Borrowers terminate the Revolver Commitments pursuant to **Section 2.1(d)**; or (c) the date on which the Revolver Commitments are terminated pursuant to **Section 11.2**.

Commodity Exchange Act: the Commodity Exchange Act (7 U.S.C. § 1 *et seq*.).

Compliance Certificate: a certificate, in the form of **Exhibit C** and otherwise in form and substance satisfactory to Agent, by which Borrower Agent certifies compliance with **Section 10.3**, and calculates the applicable Level for the Applicable Margin.

Connection Income Taxes: Other Connection Taxes that are imposed on or measured by net income (however denominated), or are franchise or branch profits Taxes.

Consolidated Amortization Expense: the amount of amortization expense deducted in determining Consolidated Net Income.

Consolidated Depreciation Expense: the amount of depreciation expense deducted in determining Consolidated Net Income.

Consolidated Interest Expense: for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings and its Subsidiaries, including (a) all interest on Indebtedness (including imputed interest related to Capital Leases), (b) all amortization of debt discount and expense, (c) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (d) Swap Obligations of Holdings and its Subsidiaries, to the extent required to be reflected on the income statement of Holdings on a consolidated basis in accordance with GAAP.

Consolidated Net Income: for any fiscal period, the consolidated net income (or loss) of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, any Borrower or any of its Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings or any of its Subsidiaries from such Person during such period,

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings or any of its Subsidiaries or that Person's assets are acquired by Holdings or any of its Subsidiaries,

(c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and

(d) the cumulative effect of a change in accounting principles.

Consolidated Tax Expenses: U.S. and Canadian federal, state, provincial and local income tax expenses of Holdings and its Subsidiaries.

Contingent Obligation: any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co-making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of nonperformance by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

Contracts: all (a) contracts and agreements for the purchase of real and personal property, easements and rights of way, (b) customer, management and supplier contracts and agreements, (c) Material Contracts and any rights thereunder, including the right to receive payments, (d) security agreements, guarantees and other agreements evidencing, securing or otherwise relating to the Accounts or other rights to receive payment, and (e) other agreements to which Obligors are parties and all other contracts and contractual rights, indemnification rights, and other remedies or provisions, in each case whether now existing or hereafter arising.

Controlled Investment Affiliate: as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

CWA: the Clean Water Act (33 U.S.C. §§ 1251 et seq.).

Debt: as applied to any Person, without duplication, (a) all items that would be included as liabilities on a balance sheet in accordance with GAAP, including Capital Leases, but excluding trade payables incurred and being paid in the Ordinary Course of Business; (b) all Contingent Obligations; (c) all reimbursement obligations in connection with letters of credit issued for the account of such Person; and (d) in the case of an Obligor, the Obligations and the Term Loan Obligations. The Debt of a Person shall include any recourse Debt of any partnership in which such Person is a general partner or joint venturer.

Default: an event or condition that, with the lapse of applicable cure or grace periods or giving of notice, would constitute an Event of Default.

Default Rate : for any Obligation (including, to the extent permitted by law, interest not paid when due), 2% plus the interest rate otherwise applicable thereto.

Defaulting Lender: any Lender that (a) has failed to comply with its funding obligations hereunder, and such failure is not cured within two Business Days; (b) has notified Agent or any Borrower that such Lender does not intend to comply with its funding obligations hereunder or under any other credit facility, or has made a public statement to that effect; (c) has failed, within three Business Days following request by Agent or any Borrower, to confirm in a manner satisfactory to Agent and Borrowers that such Lender will comply with its funding obligations hereunder; or (d) has, or has a direct or indirect parent company that has, become the subject of an Insolvency Proceeding (including reorganization, arrangement, liquidation, or appointment of a receiver, interim receiver, trustee, custodian, administrator or similar Person by the Federal Deposit Insurance Corporation, the Office of the Superintendent of Financial Institutions, the Canada Deposit Insurance Corporation or any other regulatory authority) or Bail-In Action; provided, however, that a Lender shall not be a Defaulting Lender solely by virtue of a Governmental Authority's ownership of an equity interest in such Lender or parent company unless the ownership provides immunity for such Lender from jurisdiction of courts within the United States or Canada or from enforcement of judgments or writs of attachment on its assets, or permits such Lender or Governmental Authority to repudiate or otherwise to reject such Lender's agreements.

Deposit Account: as defined in the UCC (and/or with respect to any Deposit Account located in Canada, any bank account with a deposit function).

Deposit Account Control Agreement: control agreement satisfactory to Agent executed by an institution maintaining a Deposit Account that is not an Excluded Account for an Obligor, to perfect Agent's Lien on such account.

Designated Jurisdiction: at any time, a country or territory which is subject to comprehensive economic Sanctions by the United States or Canada that restrict trade and investment with that country (at the time of this Agreement, the Crimea Region, Cuba (as regards U.S. Obligors), Iran, North Korea, Sudan and Syria).

Designated Obligations: the Dollar Equivalent of all Obligations of Borrowers with respect to (a) principal and interest under all Revolver Loans, Overadvance Loans and Protective Advances, (b) unreimbursed drawings under Letters of Credit and interest thereon, and (c) fees under **Section 3.2**.

Dilution Reserve: a reserve determined by Agent in its Permitted Discretion, if Agent's dilution calculation exceeds five percent (5%) (such reserve solely with respect to such excess amount), with respect to bad debt write-downs or write-offs, discounts, returns, promotions, credits, credit memos and other dilutive items with respect to Accounts.

Disqualified Equity Interests: means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is one hundred eighty (180) days following the Revolver Termination Date (excluding any provisions requiring redemption upon a "change of control" or similar event; provided that such "change of control" or similar event results in the Payment in Full of all Obligations), (b) is convertible into or exchangeable for (i) debt securities or (ii) any Equity Interest referred to in clause (a) above, in each case, at any time on or prior to the date that is one hundred eighty (180) days following the Revolver Termination Date at the time such Equity Interest was issued, or (c) is entitled to receive scheduled dividends or distributions in cash prior to the date that is one hundred eighty (180) days following the Revolver Termination Date.

Distribution: (a) any declaration or payment of a distribution, interest or dividend on any Equity Interest (other than payment-in-kind); (b) any distribution, advance or repayment of Debt to a holder of Equity Interests; or purchase, redemption, or other acquisition or retirement for value of any Equity Interest or (c) any management fees paid to the Sponsor.

Dollar Equivalent: at any time (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any other currency, the amount of Dollars that Agent determines (which determination shall be conclusive and binding absent manifest error) would be necessary to be sold on such date at the applicable Spot Rate to obtain the stated amount of the other currency.

Dollars: lawful money of the United States.

Dominion Account: subject to **Section 8.2(d)**, a special account established by Borrowers or any Obligor at Bank of America (or as regards to a Canadian Borrower, Bank of America-Canada Branch), over which Agent has exclusive control for withdrawal purposes; provided, however, that no Excluded Account shall be subject to control by Agent or be required to be at Bank of America or Bank of America-Canada Branch.

Domain Names: all internet domain names and associated URL addresses in or to which any Obligor has any right, title or interest.

EBITDA: for any period, determined on a consolidated basis for Holdings and its Subsidiaries, Consolidated Net Income for such measurement period, plus, (a) to the extent deducted from Consolidated Net Income for such period and without duplication:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash in connection with Existing Acquisition, this credit facility, the Loan Documents and the Term Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) the aggregate amount of management fees and reimbursement and indemnification payments accrued or paid to Sponsor or its Affiliates for such period, to the extent such payments are permitted to be paid or accrued pursuant to the terms hereof and of the Management Agreement,

(viii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of Accounts or Inventory),

(ix) transaction fees, costs, and expenses incurred in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed (x) $750,000 in any twelve-month period that includes the Closing Date Acquisition and the closing of this Agreement and (y) $500,000 in any twelve-month period that does not include the Closing Date Acquisition and the closing of this Agreement,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Initial Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Senior Officer of Borrower Agent, and (y) reasonably expected by Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate), and

(xii) other non-recurring fees and expenses approved by Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "Consolidated EBITDA" under the Term Loan Facility pursuant to clause (a)(xii) of the definition of "Consolidated EBITDA" set forth in the Term Loan Facility.

and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication,

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains arising from the write-up of assets (other than with respect to Accounts or Inventory), and

(iii) any non-cash extraordinary gains during such period.

Notwithstanding the foregoing, "EBITDA" for the month ended February 28, 2017 and the eleven months ended prior to such date shall be the amounts set forth under the heading "EBITDA" for each such month as set forth on **Schedule 1.2**.

Earnout Amount: the amount of the Earnout Obligations which are paid by a Borrower; provided that commencing on the first day of the month following the first full month after the payment of such Earnout Obligations and on the first day of each month thereafter, such amount shall be reduced by $1/12^{th}$ of the amount paid until reduced to $0.

Earnout Obligations: any obligation of a Borrower to pay a deferred purchase price with respect to the Asset Acquisition.

EEA Financial Institution: (a) any credit institution or investment firm established in an EEA Member Country that is subject to the supervision of an EEA Resolution Authority; (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) above; or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in the foregoing clauses and is subject to consolidated supervision with its parent.

EEA Member Country: any of the member states of the European Union, Iceland, Liechtenstein and Norway.

EEA Resolution Authority: any public administrative authority or any Person entrusted with public administrative authority of an EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

EHH: as defined in the preamble to this Agreement.

Eligible Account: an Account owing to a Borrower that arises in the Ordinary Course of Business from the sale of goods or rendition of services, is payable in Dollars with respect to a U.S. Borrower and in Canadian Dollars with respect to a Canadian Borrower and is deemed by Agent, in its Permitted Discretion, to be an Eligible Account. Without limiting the foregoing, no Account shall be an Eligible Account if (a) it is unpaid for more than sixty (60) days after the original due date, or more than one hundred twenty (120) days after the original invoice date; (b) 50% or more of the Accounts owing by the Account Debtor are not Eligible Accounts under the foregoing clause; (c) when aggregated with other Accounts owing by the Account Debtor, it exceeds 15% (or, solely with respect to the Accounts owing by Amazon, 25%) of the aggregate Eligible Accounts (or such higher percentage as Agent may establish for the Account Debtor from time to time); (d) it does not conform with a covenant or representation herein; (e) it is owing by a creditor or supplier, or is otherwise subject to a potential offset, counterclaim, dispute, deduction, discount, recoupment, reserve, defense, chargeback, credit or allowance (but ineligibility shall be limited to the amount thereof); (f) an Insolvency Proceeding has been commenced by or against the Account Debtor; or the Account Debtor has failed, has suspended or ceased doing business, is liquidating, dissolving or winding up its affairs, is not Solvent, or is subject to any Sanction or on any specially designated nationals list maintained by OFAC or a list maintained by the Government of Canada; or the Borrower is not able to bring suit or enforce remedies against the Account Debtor through judicial process; (g) the Account Debtor is organized or has its principal offices or assets outside the United States or Canada, unless the Account is supported by a letter of credit (delivered to and directly drawable by Agent) or credit insurance satisfactory in all respects to Agent; (h) it is owing by a Governmental Authority, unless the Account Debtor is a Governmental Authority of the U.S. or Canada or any department, agency or instrumentality thereof and the Account has been assigned to Agent in compliance with the federal Assignment of Claims Act or the Financial Administration Act (Canada), as amended (or the equivalent law of any province of Canada, if any, in the case of a Governmental Authority of such province), as applicable, and any other steps necessary to perfect the Lien of Agent on such Account have been complied with to Agent's reasonable satisfaction; (i) it is not subject to a duly perfected, first priority Lien in favor of Agent, or is subject to any other Lien, other than those permitted pursuant to **Section 10.2(b)(iii) and (xi)** ; (j) the goods giving rise to it have not been delivered to the Account Debtor, the services giving rise to it have not been accepted by the Account Debtor, or it otherwise does not represent a final sale; (k) it is evidenced by Chattel Paper or an Instrument of any kind, or has been reduced to judgment; (l) its payment has been extended or the Account Debtor has made a partial payment; (m) it arises from a sale to an Affiliate, from a sale on a cash-on-delivery, bill-and-hold, sale -or-return, sale-on-approval, consignment, or other repurchase or return basis, or from a sale for personal, family or household purposes; (n) it represents a progress billing or retainage, or relates to services for which a performance, surety or completion bond or similar assurance has been issued; or (o) it includes a billing for interest, fees or late charges, but ineligibility shall be limited to the extent thereof. In calculating delinquent portions of Accounts under clauses (a) and (b), credit balances more than one hundred twenty (120) days old or more than sixty (60) days past due will be excluded.

Eligible Assignee: (a) a Lender, Affiliate of a Lender or Approved Fund; (b) an assignee approved by Borrower Agent (which approval shall not be unreasonably withheld or delayed, and shall be deemed given if no objection is made within two Business Days after notice of the proposed assignment) and Agent; or (c) during an Event of Default, any Person acceptable to Agent in its discretion (notwithstanding the above, unless an Event of Default has occurred and is continuing, only Canadian Qualified Lenders shall be Eligible Assignees with respect to any assignment of the Canadian Revolver Commitments or Canadian Obligations).

Eligible Inventory: Inventory owned by a Borrower that Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the foregoing, no Inventory shall be Eligible Inventory unless it (a) is finished goods or raw materials, and not work in process, packaging or shipping materials, labels, samples, display items, bags, replacement parts or manufacturing supplies; (b) is not held on consignment, nor subject to any retention of title, conditional sale or similar arrangements nor subject to any deposit or down payment; (c) is in new and saleable condition and is not damaged, defective, shopworn or otherwise unfit for sale; (d) is not slow-moving, perishable, obsolete or unmerchantable, and does not constitute returned or repossessed goods; (e) meets all standards imposed by any Governmental Authority, has not been acquired from a Person subject to any Sanction or on any specially designated nationals list maintained by OFAC or similar list maintained by the Government of Canada, and does not constitute hazardous materials under any Environmental Law; (f) conforms with the covenants and representations herein; (g) is subject to Agent's duly perfected, first priority Lien, and no other Lien, other than those permitted pursuant to **Section 10.2(b) (iii), (iv), (vi), (vii)** and **(xi)**; (h) is within the continental United States or Canada, is not in transit except between locations of Borrowers, and is not consigned to any Person; (i) is not subject to any warehouse receipt or negotiable Document; (j) is not located on premises where the aggregate Value of all such Inventory located thereon is less than $100,000; (k) is not subject to any License or other arrangement that restricts such Borrower's or Agent's right to dispose of such Inventory, unless Agent has received an appropriate Lien Waiver; and (l) is not located on leased premises or in the possession of a warehouseman, processor, repairman, mechanic, shipper, freight forwarder or other Person, unless the lessor or such Person has delivered a Lien Waiver or an appropriate Rent and Charges Reserve has been established.

Enforcement Action: any action to enforce any Obligations (other than Secured Bank Product Obligations) or Loan Documents or to exercise any rights or remedies relating to any Collateral, whether by judicial action, self-help, notification of Account Debtors, setoff or recoupment, credit bid, deed in lieu of foreclosure, action in an Insolvency Proceeding or otherwise.

Environmental Agreement: an agreement of an Obligor to indemnify Agent and Lenders from liability under Environmental Laws with respect to Real Estate subject to a Mortgage.

Environmental Laws: Applicable Laws (including programs, permits and guidance promulgated by regulators) relating to public health (other than occupational safety and health regulated by OSHA) or the protection or pollution of the environment, including CERCLA, RCRA and CWA and other similar Applicable Laws of any foreign jurisdiction.

Environmental Notice: a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

Environmental Release: a release as defined in CERCLA or under any other Environmental Law.

Equity Interest: the interest of any (a) shareholder in a corporation; (b) partner in a partnership (whether general, limited, limited liability or joint venture); (c) member in a limited liability company; or (d) other Person having any other form of equity security or ownership interest.

ERISA: the Employee Retirement Income Security Act of 1974.

ERISA Affiliate : any trade or business (whether or not incorporated) under common control with an Obligor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

ERISA Event: (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal of an Obligor or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Obligor or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the institution of proceedings by the PBGC to terminate a Pension Plan; (e) the determination that any Pension Plan is considered an at-risk plan or a plan in critical or endangered status under the Code or ERISA; (f) an event or condition that constitutes grounds under Section 4042 of ERISA for termination of, or appointment of a trustee to administer, any Pension Plan; (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Obligor or ERISA Affiliate; or (h) the failure by any Obligor or ERISA Affiliate to meet all applicable requirements under the Pension Funding Rules in respect of a Pension Plan, whether or not waived, or to make a required contribution to a Multiemployer Plan.

EU Bail-In Legislation Schedule: the EU Bail-In Legislation Schedule published by the Loan Market Association, as in effect from time to time.

Event of Default: as defined in **Section 11**.

Exchange Rate: on any date, (i) with respect to Canadian Dollars in relation to Dollars, the applicable Spot Rate at which Dollars are offered for Canadian Dollars, and (ii) with respect to Dollars in relation to Canadian Dollars, the applicable Spot Rate at which Canadian Dollars are offered for Dollars.

Excluded Accounts: with respect to any Obligor, any deposit account used solely for (a) payroll and accrued payroll expenses, (b) tax payments, (c) employee benefit accounts and/or (d) petty cash and other accounts in the aggregate not exceeding $100,000 for all such accounts.

Excluded Property: (i) any Excluded Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by an Obligor of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest; (iii) any Equity Interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of an Obligor, (y) that the granting of a Lien thereon is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Grantors in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar Equity Interests of such Foreign Subsidiary which are entitled to vote; (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code, the PPSA or any other Applicable Law or principles of equity; (v) upon the written consent of Agent, any Equity Interests in any pledged entity acquired on or after the Initial Closing Date that is not a Subsidiary of an Obligor, if the terms of the Organic Documents of such pledged entity do not permit the grant of a security interest in such Equity Interests by the owner thereof or the applicable Obligor has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Organic Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by Agent in its Permitted Discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents), (vii) any Excluded Real Estate described in clauses (a) or (b) of the definition thereof; provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the UCC (including Sections 9-406, 9-407 and 9-408 thereof), the PPSA or other Applicable Law (including the Bankruptcy Code) or principles of equity, (b) so as to limit, impair or otherwise affect Agent's unconditional continuing Liens upon any rights or interests of any Obligor in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any Accounts), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

Excluded Real Estate: (a) the Colorado Property, (b) any Real Estate acquired by an Obligor after the Closing Date with an individual value less than $1,000,000 or (c) any Real Estate acquired by an Obligor after the Closing Date with an individual value equal to or greater than $1,000,000 with respect to which Agent elects in writing in its sole discretion not to require a Mortgage.

Excluded Swap Obligation : with respect to an Obligor, each Swap Obligation as to which, and only to the extent that, such Obligor's guaranty of or grant of a Lien as security for such Swap Obligation is or becomes illegal under the Commodity Exchange Act because the Obligor does not constitute an "eligible contract participant" as defined in the act (determined after giving effect to any keepwell, support or other agreement for the benefit of such Obligor and all guarantees of Swap Obligations by other Obligors) when such guaranty or grant of Lien becomes effective with respect to the Swap Obligation. If a Hedging Agreement governs more than one Swap Obligation, only the Swap Obligation(s) or portions thereof described in the foregoing sentence shall be Excluded Swap Obligation(s) for the applicable Obligor.

Excluded Taxes: (a) Taxes imposed on or measured by a Recipient's net income (however denominated), franchise Taxes and branch profits Taxes (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or applicable Lending Office located in, the jurisdiction imposing such Tax, or (ii) constituting Other Connection Taxes; (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of a Lender with respect to its interest in a Revolver Loan or Commitment pursuant to a law in effect when the Lender acquires such interest (except pursuant to an assignment request by Borrower Agent under **Section 13.4**) or changes its Lending Office, unless the Taxes were payable to its assignor immediately prior to such assignment or to the Lender immediately prior to its change in Lending Office; (c) Canadian federal withholding Taxes imposed as a result of a Recipient (i) not dealing at arm's length (within the meaning of the Income Tax Act (Canada)) with a Canadian Obligor or (ii) being a "specified shareholder" (within the meaning of SubSection 18(5) of the Income Tax Act (Canada)) of a Canadian Obligor, or not dealing at arm's length with such "specified shareholder" of a Canadian Obligor; (d) Taxes attributable to a Recipient's failure to comply with **Section 5.10**; and (e) U.S. federal withholding Taxes imposed pursuant to FATCA. In no event shall "Excluded Taxes" include any withholding Tax imposed on amounts paid by or on behalf of a foreign Obligor to a Recipient that has complied with **Section 5.10(b)**.

Existing Acquisition: the Acquisition by Holdings of all of the Equity Interests of Hydrofarm pursuant to and in accordance with the Existing Purchase Agreement on the Initial Closing Date.

Existing Letters of Credit: the letters of credit issued under the Original Loan Agreement as identified in Schedule 1.1E.

Existing Purchase Agreement: that certain Securities Purchase Agreement dated as of the Initial Closing Date by and among Holdings, Hydrofarm, Hydrofarm, Inc. Employee Stock Ownership Plan and Trust and the Wardenburg 2009 Family Trust, as the same may be amended, supplemented and otherwise modified from time to time in accordance with the terms hereof.

Extraordinary Expenses : all costs, expenses or advances that Agent may incur during a Default or Event of Default, or during the pendency of an Insolvency Proceeding of an Obligor, including those relating to (a) any audit, inspection, repossession, storage, repair, appraisal, insurance, manufacture, preparation or advertising for sale, sale, collection, or other preservation of or realization upon any Collateral; (b) any action, arbitration or other proceeding (whether instituted by or against Agent, any Lender, any Obligor, any representative of creditors of an Obligor or any other Person) in any way relating to any Collateral (including the validity, perfection, priority or avoidability of Agent's Liens with respect to any Collateral), Loan Documents, Letters of Credit or Obligations, including any lender liability or other Claims; (c) the exercise of any rights or remedies of Agent in, or the monitoring of, any Insolvency Proceeding; (d) settlement or satisfaction of taxes, charges or Liens with respect to any Collateral; (e) any Enforcement Action; and (f) negotiation and documentation of any modification, waiver, workout, restructuring or forbearance with respect to any Loan Documents or Obligations. Such costs, expenses and advances include transfer fees, Other Taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' and auctioneers' fees and commissions, accountants' fees, environmental study fees, wages and salaries paid to employees of any Obligor or independent contractors in liquidating any Collateral, and travel expenses.

Extraordinary Receipts: any cash received by or paid to or for the account of any Obligor or any of its Subsidiaries not in the Ordinary Course of Business (and not consisting of proceeds described in any of **clauses (a)**, **(b)**, or **(c)** of **Section 5.3**), including without limitation tax refunds, insurance proceeds, indemnification payments (other than such indemnification payments to the extent that the amounts so received are applied by an Obligor or its Subsidiary, as applicable, or are reimbursement or payment on behalf of an Obligor or its Subsidiary, as applicable, for costs incurred for the purpose of replacing, repairing or restoring any assets or properties of an Obligor or Subsidiary or reimbursement for settlement costs, thereby satisfying the condition giving rise to the claim for indemnification, or reimbursement or indemnification for costs, or otherwise covering losses arising as a result of the circumstances giving rise to the underlying claims, or any out-of-pocket expenses incurred by any Obligor or Subsidiary of any Obligor in obtaining such payments or the payment of taxes arising thereunder) and purchase price adjustments (other than working capital and other similar adjustments) made pursuant to the Existing Acquisition, Closing Date Acquisition or any Permitted Acquisition; provided, that Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than $350,000.

FATCA: Sections 1471 through 1474 of the Code (including any amended or successor version if substantively comparable and not materially more onerous to comply with), and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

Federal Funds Rate : (a) the weighted average of interest rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on the applicable Business Day (or on the preceding Business Day, if the applicable day is not a Business Day), as published by the Federal Reserve Bank of New York on the next Business Day; or (b) if no such rate is published on the next Business Day, the average rate (rounded up, if necessary, to the nearest 1/8 of 1%) charged to Bank of America on the applicable day on such transactions, as determined by Agent; provided, that in no event shall such rate be less than zero.

Fee Letter: that certain Amended and Restated Fee Letter dated the date hereof among Borrowers and Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

Financial Covenant Trigger Period: the period, as applicable, (a) (i) commencing on the day that an Event of Default occurs and (ii) continuing until the day such Event of Default no longer exists and/or (b) (i) commencing on the day that Global Availability is at any time less than 12.5% of the Revolver Commitment or U.S. Availability is at any time less than $5,000,000 and (ii) continuing until, during each of the preceding 30 consecutive days, Global Availability has been greater than 12.5% of the Revolver Commitment and U.S. Availability is greater than $5,000,000.

Fiscal Quarter: each period of three calendar months, commencing on the first day of a Fiscal Year.

Fiscal Year: the fiscal year of Holdings, Borrowers, and their Subsidiaries for accounting and tax purposes, commencing on January 1 and ending on December 31 of each year.

Fixed Charge Coverage Ratio: the ratio, determined on a consolidated basis for Holdings and its Subsidiaries for the most recent 12 months, of (a) EBITDA for such period minus (i) Unfinanced Capital Expenditures for such period, (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Permitted Tax Distributions, during such period and (iii) Distributions made in cash (including, without limitation, for the avoidance of doubt, all management fees paid in cash pursuant to the Management Agreements) and (iv) the Earnout Amount to (b) Fixed Charges.

Notwithstanding the foregoing, the amounts for each of the items set forth in **clauses (a)(i)**, **(a)(ii)**, **(a)(iii)** and **(b)** for the month ended February 28, 2017 and the eleven months ended prior to such date shall be the amounts set forth under the corresponding heading for each such month as set forth on **Schedule 1.2**.

Fixed Charges: means, for any period for which the amount thereof is to be determined, the sum, without duplication of (a) Consolidated Interest Expense (other than payment-in-kind interest expense) and (b) the principal amount of all scheduled principal payments made on Indebtedness (other than Revolver Loans) of Holdings, Borrowers and their Subsidiaries, in each case, for such period.

FLSA: the Fair Labor Standards Act of 1938.

Floating Rate Loan: a U.S. Base Rate Revolver Loan, Canadian Prime Rate Revolver Loan or Canadian Base Rate Revolver Loan.

Flood Disaster Protection Act : the federal Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor thereto.

Flood Insurance Laws: shall mean, collectively, (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act, (iii) the National Flood Insurance Reform Act of 1994 as now or hereafter in effect or any successor statute thereto and (iv) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto.

Foreign Lender: any Lender that is not a U.S. Person.

Foreign Plan: any employee benefit plan or arrangement (a) maintained or contributed to by any Obligor or Subsidiary that is not subject to the laws of the United States or Canada; or (b) mandated by a government other than the United States or Canada for employees of any Obligor or Subsidiary.

Foreign Subsidiary: a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to U.S. Borrowers.

Fronting Exposure : a Defaulting Lender's interest in LC Obligations, Swingline Loans and Protective Advances, except to the extent Cash Collateralized by the Defaulting Lender or allocated to other Lenders hereunder.

FSCO: the Financial Services Commission of Ontario or like body in Canada or in any other province or territory or jurisdiction of Canada with whom a Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered in accordance with Applicable Law and any other Governmental Authority succeeding to the functions thereof.

Full Payment, Paid in Full, Payment in Full or payment in full or other correlative use: with respect to any Obligations, the full cash payment thereof, including any interest, fees and other charges accruing during an Insolvency Proceeding (whether or not allowed in the proceeding), other than (a) LC Obligations to the extent of Cash Collateralization thereof (or delivery of a standby letter of credit acceptable to Agent in its Permitted Discretion, in the amount of required Cash Collateral), (b) contingent indemnification and other inchoate obligations for which no claim has been asserted, (c) contingent indemnification and other inchoate obligations for which a claim has been asserted in writing to the extent of Cash Collateralization thereof, and (d) Bank Product Obligations to the extent of Cash Collateralization thereof. No Revolver Loans shall be deemed to have been paid in full unless all Revolver Commitments related to such Revolver Loans have terminated.

GAAP: generally accepted accounting principles in effect in the United States from time to time. Notwithstanding anything to the contrary contained herein, books and records shall be kept in accordance with GAAP commencing July 1, 2017 and all references in this Agreement to "in accordance with GAAP" for any time preceding July 1, 2017 shall be deemed to be "on a tax basis".

Global Availability: the sum of the U.S. Availability and Canadian Availability.

Governmental Approvals: all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and required reports to, all Governmental Authorities.

Governmental Authority: any federal, provincial, state, local, municipal, foreign or other agency, authority, body, commission, board, bureau, court, tribunal, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority or a province or territory thereof or a foreign entity or government (including the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or European Central Bank).

Guarantor Payment: as defined in **Section 5.11(d)(ii)**.

Guarantors: Canadian Guarantors and U.S. Guarantors.

Guaranty: each guaranty agreement executed by a Guarantor in favor of Agent.

Hedging Agreement: a "swap agreement" as defined in Bankruptcy Code Section 101(53B)(A).

Holdings: as defined in the preamble to this Agreement.

Hydrofarm: as defined in the preamble to this Agreement.

Indemnified Taxes: (a) Taxes, other than Excluded Taxes, imposed on or relating to any payment of an Obligation; and (b) to the extent not otherwise described in clause (a), Other Taxes.

Indemnitees: Agent Indemnitees, Lender Indemnitees, Issuing Bank Indemnitees and Bank of America Indemnitees.

Initial Closing Date: means May 12, 2017.

Insolvency Proceeding: any voluntary or involuntary case or proceeding commenced by or against a Person under any state, federal, provincial, or foreign law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code, or any other insolvency, debtor relief or debt adjustment or arrangement law, including the BIA, the Companies' Creditors Arrangement Act (Canada) and the Winding-up and Restructuring Act (Canada); (b) the appointment of a receiver, interim receiver, monitor, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; or (c) an assignment or trust mortgage for the benefit of creditors.

Insurance Assignment: each Assignment of Proceeds of Business Interruption Insurance Policy as Collateral Security dated as of the date hereof by the U.S. Obligors in favor of Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

Intellectual Property: all intellectual and similar Property of a Person, including inventions, designs, industrial designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, applications, registrations and franchises; all licenses or other rights to use any of the foregoing; and all books and records relating to the foregoing.

Intellectual Property Claim: any claim or assertion (whether in writing, by suit or otherwise) that a Borrower's or Subsidiary's ownership, use, marketing, sale or distribution of any Inventory, Equipment, Intellectual Property or other Property violates another Person's Intellectual Property.

Intercreditor Agreement: the Amended and Restated Intercreditor Agreement dated as of the date hereof, between the Term Loan Agent and Agent, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

Interest Period: as defined in **Section 3.1(c)**.

Interest Period Loans: a Canadian BA Rate Loan, Canadian LIBOR Loan and/or a U.S. LIBOR Loan, as the context requires.

Inventory: as defined in the UCC or, if applicable, the PPSA, including all goods intended for sale, lease, display or demonstration; all work in process; and all raw materials, and other materials and supplies of any kind that are or could be used in connection with the manufacture, printing, packing, shipping, advertising, sale, lease or furnishing of such goods, or otherwise used or consumed in a Borrower's business (but excluding Equipment).

Inventory Reserve: reserves established by Agent in its Permitted Discretion to reflect factors that may negatively impact the Value of Inventory, including change in salability, obsolescence, seasonality, theft, shrinkage, imbalance, change in composition or mix, markdowns and vendor chargebacks.

Investment: an Acquisition, an acquisition of record or beneficial ownership of any Equity Interests of a Person, or an advance or capital contribution to or other investment in a Person.

IP Security Agreement: a collateral assignment or security agreement pursuant to which an Obligor grants or evidences a Lien on its Intellectual Property to Agent, as security for its Obligations, substantially in the form of **Exhibit D**.

IRS: the United States Internal Revenue Service.

Issuing Bank: Bank of America (including any Lending Office or branch of Bank of America), or any replacement issuer appointed pursuant to **Section 2.3(d)** (or Bank of America-Canada Branch or its Affiliates with respect to Letters of Credit requested by Canadian Borrowers).

Issuing Bank Indemnitees: Issuing Bank and its officers, directors, employees, Affiliates, branches, agents and attorneys.

Judgment Currency: as defined in **Section 1.5**.

LC Application: an application by a Requesting Borrower to Issuing Bank for issuance of a Letter of Credit, in form and substance satisfactory to Issuing Bank and Agent.

LC Conditions : the following conditions necessary for issuance of a Letter of Credit: (a) each of the conditions set forth in **Section 6** are satisfied; (b) after giving effect to such issuance, (i) if Requesting Borrower is a U.S. Borrower, total U.S. LC Obligations do not exceed the Letter of Credit Subline for U.S. Borrowers, (ii) if Requesting Borrower is a Canadian Borrower, total Canadian LC Obligations do not exceed the Letter of Credit Subline for Canadian Borrowers, (iii) total LC Obligations do not exceed the aggregate Letter of Credit Subline for all Borrowers, (iv) no Overadvance exists, (v) no U.S. Overadvance exists if Requesting Borrower is a U.S. Borrower, (vi) no Canadian Overadvance exists if Requesting Borrower is a Canadian Borrower, (vii) Revolver Usage does not exceed the Borrowing Base, (viii) if Requesting Borrower is a U.S. Borrower, U.S. Revolver Usage does not exceed the U.S. Borrowing Base and (ix) if Requesting Borrower is a Canadian Borrower, Canadian Revolver Usage does not exceed the Canadian Borrowing Base; (c) the Letter of Credit and payments thereunder are denominated in Dollars, Canadian Dollars, or other currency satisfactory to Agent and Issuing Bank; and (d) the purpose and form of the proposed Letter of Credit are satisfactory to Agent and Issuing Bank in their Permitted Discretion.

LC Documents: all documents, instruments and agreements (including LC Requests and LC Applications) delivered by the applicable Borrower or any other Person to Issuing Bank or Agent in connection with any Letter of Credit.

LC Obligations: U.S. LC Obligations and/or the Canadian LC Obligations, as the context requires.

LC Request: a request for issuance of a Letter of Credit, to be provided by a Requesting Borrower to Issuing Bank, in form satisfactory to Agent and Issuing Bank.

Lender Indemnitees: Lenders and Secured Bank Product Providers, and their officers, directors, employees, Affiliates, branches, agents and attorneys.

Lenders: lenders party to this Agreement (including Agent in its capacity as provider of Swingline Loans, U.S. Lenders and Canadian Lenders) and any Person who hereafter becomes a "Lender" pursuant to an Assignment and Acceptance, including any Lending Office or branch of the foregoing.

Lending Office : the office (including any domestic or foreign Affiliate or branch) designated as such by a Lender or Issuing Bank by notice to Agent and Borrower Agent.

Letter of Credit: any standby or documentary letter of credit, foreign guaranty, documentary bankers acceptance, indemnity, reimbursement agreement or similar instrument issued by Issuing Bank for the account or benefit of a Borrower or Affiliate of a Borrower.

Letter of Credit Subline: with respect to U.S. Borrowers, $5,000,000, and with respect to Canadian Borrowers, $1,000,000.

LIBOR: the per annum rate of interest (rounded up to the nearest 1/8th of 1%) determined by Agent at or about 11:00 a.m. (London time) two Business Days prior to an interest period, for a term equivalent to such period, equal to the London Interbank Offered Rate, or comparable or successor rate approved by Agent, as published on the applicable Reuters screen page (or other commercially available source designated by Agent from time to time); provided, that any comparable or successor rate shall be applied by Agent, if administratively feasible, in a manner consistent with market practice; provided further, that in no event shall LIBOR be less than zero.

License: any license or agreement under which an Obligor is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

Licensor: any Person from whom an Obligor obtains the right to use any Intellectual Property.

Lien: a Person's interest in Property securing an obligation owed to, or a claim by, such Person, including any lien, charge, security interest, pledge, hypothecation, assignment, trust (statutory, deemed, constructive or otherwise), reservation, encroachment, easement, right-of-way, covenant, condition, restriction, lease, or other title exception or encumbrance.

Lien Waiver: an agreement, in form and substance satisfactory to Agent in its Permitted Discretion, by which (a) for any material Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Agent to enter upon the premises and remove the Collateral or to use the premises to store or dispose of the Collateral, such agreement substantially in the form of **Exhibit E**; (b) for any Collateral held by a warehouseman, processor, shipper, customs broker or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any Documents in its possession relating to the Collateral as agent for Agent, and agrees to deliver the Collateral to Agent upon request, such agreement substantially in the form of **Exhibit F**; (c) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral to Agent upon request; and (d) for any Collateral subject to a Licensor's Intellectual Property rights, the Licensor grants to Agent the right, vis-à-vis such Licensor, to enforce Agent's Liens with respect to the Collateral, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable License.

Loan Documents: this Agreement, Other Agreements, Security Documents, any amendments to the foregoing and any other documents from time to time designated as a "Loan Document" by Borrowers and Agent. For the avoidance of doubt, the Existing Purchase Agreement, Purchase Agreements and agreements, documents or instruments for Bank Products are not and shall not be deemed to be Loan Documents.

Loan Year: each 12 month period commencing on the Initial Closing Date and on each anniversary of the Initial Closing Date.

Management Agreements: collectively, the (a) Management Agreement dated the Initial Closing Date between Hawthorn Equity Partners, Inc. and Holdings, and (b) Management Agreement dated the Initial Closing Date between JAMS Holdings LLC and Holdings, in each case, as the same may be amended, modified, supplemented and/or restated to the extent permitted under this Agreement.

Managers: collectively, Hawthorn Equity Partners, Inc. and JAMS International LLC.

Margin Stock: as defined in Regulation U of the Board of Governors.

Material Adverse Effect: the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could be reasonably expected to have a material adverse effect on the business, operations, Properties, or financial condition of any Obligor, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of Agent's Liens on any Collateral; (b) impairs the ability of an Obligor to perform its obligations under the Loan Documents, including repayment of any Obligations; or (c) otherwise impairs the ability of Agent or any Lender to enforce or collect any Obligations or to realize upon any ABL Priority Collateral or any other material Collateral.

Material Contract: other than the Existing Purchase Agreement, Purchase Agreements and the Loan Documents any agreement or arrangement to which an Obligor or Subsidiary is party (other than the Loan Documents) (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933; (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (c) that relates to either (x) Subordinated Debt or (y) Debt, in the case of this clause (y), in an aggregate amount of $1,000,000 or more.

Moody's: Moody's Investors Service, Inc. or any successor acceptable to Agent.

Mortgage: a mortgage or deed of trust in which an Obligor grants a Lien on its Real Estate to Agent, as security for its Obligations.

Mortgaged Property or Mortgaged Properties: means any owned property of an Obligor that is or will become encumbered by a Mortgage in favor of the Agent in accordance with the terms of this Agreement.

Multiemployer Plan: any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which an Obligor or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

Multiple Employer Plan: a Plan that has two or more contributing sponsors, including an Obligor or ERISA Affiliate, at least two of whom are not under common control, as described in Section 4064 of ERISA.

Negotiable Collateral: all of letters of credit, Letter-of-Credit Rights, Instruments, promissory notes, drafts and Documents, and all Supporting Obligations in respect thereof.

Net Proceeds : with respect to an Asset Disposition, an issuance of Equity Interests, and/or the receipt of Extraordinary Receipts, the cash proceeds (including, when received, any deferred or escrowed payments) as and when received by an Obligor or Subsidiary in cash from such disposition and/or such receipt (as applicable) (other than cash proceeds of any business interruption insurance policy to the extent paid on account of lost income, the proceeds of which shall be directed to pay down Revolver Loans and otherwise be used for working capital and expenses related to the loss), net of (a) reasonable and customary costs and expenses actually incurred in connection therewith, including legal, accounting and investment banking fees and sales commissions; (b) amounts applied to repayment of Debt secured by a Permitted Lien senior to Agent's Liens on Collateral sold (with respect to an Asset Disposition); (c) transfer or similar taxes paid or reasonably estimated by Borrowers to be payable as a result of any applicable Asset Disposition (together with any Permitted Tax Distributions made to pay any such transfer or similar taxes); and (d) reserves for indemnities in connection with any applicable Asset Disposition, until such reserves are no longer needed.

NOLV Percentage: the net orderly liquidation value of Inventory, expressed as a percentage, expected to be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses, as determined from the most recent appraisal of Borrowers' Inventory performed by an appraiser and on terms satisfactory to Agent in its Permitted Discretion.

Notice of Borrowing: a request by Borrower Agent for a Borrowing of Revolver Loans, in form satisfactory to Agent.

Notice of Conversion/Continuation: a request by Borrower Agent for conversion or continuation of any Revolver Loan as a U.S. LIBOR Loan, Canadian BA Rate Loan or Canadian LIBOR Loan, in form satisfactory to Agent.

Obligations: all (a) principal of and premium, if any, on the Revolver Loans, (b) LC Obligations and other obligations of Obligors with respect to Letters of Credit, (c) interest, expenses, fees, indemnification obligations, Extraordinary Expenses and other amounts payable by Obligors under Loan Documents, (d) Secured Bank Product Obligations, and (e) other Debts, obligations and liabilities of any kind owing by Obligors pursuant to the Loan Documents, whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any Insolvency Proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several; provided, that Obligations of an Obligor shall not include its Excluded Swap Obligations.

Obligor: each U.S. Obligor and/or Canadian Obligor, as the context requires.

OFAC: Office of Foreign Assets Control of the U.S. Treasury Department.

Ordinary Course of Business: the ordinary course of business of any Obligor or Subsidiary, undertaken in good faith and consistent with Applicable Law and past practices.

Organic Documents: with respect to any Person, its charter, certificate or articles of incorporation or formation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, articles of association, voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

OSHA: the Occupational Safety and Hazard Act of 1970.

Other Agreement: each LC Document, each Guaranty, fee letter (including the Fee Letter), Assumption Agreement, Lien Waiver, Intercreditor Agreement, Real Estate Related Document, Borrowing Base Report, Compliance Certificate, Borrower Materials, or other note, document, instrument or agreement (other than this Agreement or a Security Document) now or hereafter delivered by an Obligor or other Person to Agent or a Lender in connection with any transactions relating hereto. For the avoidance of doubt, neither the Existing Purchase Agreement, Purchase Agreements nor any agreements, documents or instruments for Bank Products are (and shall not be deemed to be) an Other Agreement.

Other Connection Taxes: Taxes imposed on a Recipient due to a present or former connection between it and the taxing jurisdiction (other than connections arising from the Recipient having executed, delivered, become party to, performed obligations or received payments under, received or perfected a Lien or engaged in any other transaction pursuant to, enforced, or sold or assigned an interest in, any Revolver Loan or Loan Document).

Other Taxes: all present or future stamp, court, documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a Lien under, or otherwise with respect to, any Loan Document, except Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to **Section 13.4(c)**).

Overadvance: a Canadian Overadvance and/or U.S. Overadvance, as the context requires.

Overadvance Loan: a Canadian Overadvance Loan and/or U.S. Overadvance Loan, as the context requires.

Participant: as defined in **Section 13.2**.

Patriot Act: the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

Payment Item: each check, draft or other item of payment payable to an Obligor, including those constituting proceeds of any Collateral.

PBA: the Pension Benefits Act (Ontario) or any other Canadian federal or provincial or territorial pension benefit standards legislation pursuant to which any Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered.

PBGC: the Pension Benefit Guaranty Corporation.

Pension Funding Rules: Code and ERISA rules regarding minimum required contributions (including installment payments) to Pension Plans set forth in, for plan years ending prior to the Pension Protection Act of 2006 effective date, Section 412 of the Code and Section 302 of ERISA, both as in effect prior to such act, and thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

Pension Plan: any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Obligor or ERISA Affiliate or to which the Obligor or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

Permitted Acquisition: any Acquisition by an Obligor (other than Holdings) or a Subsidiary as long as (a) the Specified Transaction Conditions are satisfied in connection therewith; (b) the Acquisition is consensual; (c) the assets, business or Person being acquired is useful or engaged in the business of Obligors and Subsidiaries or reasonably related thereto, is located or organized within the United States, and had pro forma positive EBITDA for the 12 month period most recently ended; (d) no Debt or Liens are assumed or incurred, except as permitted by **Sections 10.2(a)(vi)**, **10.2(a)(ix)** and **10.2(b)(x)**; (e) Agent, on behalf of the Secured Parties, shall have received (or shall receive in connection with the closing of such Acquisition) a perfected security interest (having the priority set forth in the Intercreditor Agreement) in all Property (including, without limitation, Equity Interests) acquired with respect to Person being acquired in accordance with the terms hereof; (f) such Acquisition shall be permitted under the Term Loan Facility; and (g) Borrower Agent delivers to Agent, at least ten Business Days prior to the Acquisition, copies of all draft material agreements relating thereto and a certificate, in form and substance reasonably satisfactory to Agent, stating that the Acquisition is a "Permitted Acquisition" and demonstrating compliance with the foregoing requirements, and on the date that is at least three days prior (or such shorter period agreed to in writing by Agent in its sole discretion) to the Acquisition, copies of all material documents in final form.

Permitted Affiliate Sub Debt : (x) Debt of Holdings to a Related Party and (y) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to a Related Party, Debt of the Borrower Agent to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

Permitted Asset Disposition: an Asset Disposition that is (a) a sale or lease of Inventory in the Ordinary Course of Business; (b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from an Obligor's default; (c) a lease or sublease of Real Estate in the Ordinary Course of Business; (d) a license or sublicense of Intellectual Property (including, without limitation, any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business; (e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term; (f) Asset Dispositions of Cash Equivalents in the Ordinary Course of Business, (g) Asset Dispositions of Property among the U.S. Obligors (other than Holdings) and Asset Dispositions of Property among the Canadian Obligors, (h) dividends, distributions and payments by the Obligors, in each case solely to the extent expressly permitted by this Agreement, (i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due, (j) approved in writing by Agent and Required Lenders, (k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days with another asset useful in the Obligors' business (so long as Agent has a first priority and perfected Lien on any newly-acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than Accounts or Inventory) that, in the aggregate during any 12 fiscal month period, has a fair market or book value (whichever is more) of $1,000,000 or less, or (iii) Asset Dispositions of Property (other than Accounts or Inventory) that is obsolete or no longer used or useful in the business or Inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business, (l) replacement of Equipment that is worn, damaged or obsolete with Equipment of like function and value, if the replacement Equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Agent) and is free of Liens other than Permitted Liens, (m) a sale or disposition of the Colorado Property so long as (i) no Default or Event of Default exists or results therefrom, (ii) 100% of the consideration received from such sale or disposition is in the form of cash and (iii) the purchase price of such sale or disposition is for at least fair market value or (n) a Permitted Colorado Property Sale-Leaseback.

Permitted Colorado Property Sale- Leaseback: means a sale-leaseback transaction consummated by Obligors with respect to the Colorado Property so long as (i) such sale-leaseback transaction is consummated on or prior to the date that is six (6) months following the initial Closing Date, (ii) no Default or Event of Default exists on the date of the consummation of such sale-leaseback transaction or would result therefrom, and (iii) such sale-leaseback is permitted under the Term Loan Facility.

Permitted Contingent Obligations: Contingent Obligations (a) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business; (b) arising from Hedging Agreements permitted hereunder; (c) existing on the Closing Date, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed; (d) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations; (e) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Property permitted hereunder; (f) arising under the Loan Documents; (g) arising under the Term Loan Documents to the extent permitted by the Term Loan Facility and the Intercreditor Agreement; (h) arising as a result of an unsecured guaranty by Holdings of the Debt, Real Estate lease or other obligation of an Obligor permitted by this Agreement (provided, that if any such Debt, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to Agent and the Lenders as compared to the subordination terms applicable to such Debt, lease or other obligations); or (i) in an aggregate amount of $2,000,000 or less at any time.

Permitted Discretion: a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured, asset-based lender).

Permitted Distributions: Each and all of the following Distributions:

(a) so long as no Default or Event of Default shall be continuing or result therefrom, any Subsidiary of Holdings or any Borrower may make distributions to Holdings to pay and Holdings may pay, or any Borrower or any Subsidiary may pay on behalf of itself or Holdings, (x) on a quarterly basis the annual management fees to the Managers pursuant to the Management Agreements plus (y) the amount of any accrued management fees from prior periods payable pursuant to the Management Agreements; provided that the aggregate amount of such fees pursuant to clause (x) shall not exceed $850,000 per Fiscal Year;

(b) any Specified Distributions; and

(c) Permitted Tax Distributions.

Permitted Intercompany Loans: (a) intercompany loans by a U.S. Obligor to another U.S. Obligor, (b) intercompany loans by a Canadian Obligor to another Canadian Obligor, (c) intercompany loans by a U.S. Obligor to a Canadian Obligor so long as immediately before and after giving effect to such loans by a U.S. Obligor to a Canadian Obligor, U.S. Availability is greater than $5,000,000 and no Default or Event of Default exists, and (d) intercompany loans by a Canadian Obligor to a U.S. Obligor.

Permitted Lien: as defined in **Section 10.2(b)**.

Permitted Purchase Money Debt: Purchase Money Debt of Obligors and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount does not exceed $1,000,000 at any time and its incurrence does not violate **Section 10.2(c)(ii)**.

Permitted Tax Distributions: with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and Holdings is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm to Holdings (which Holdings may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income of Holdings for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests in Holdings is a resident of California (each such holder that is a resident of California is herein referred to as an " Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to **clause (x)(ii)(b)** above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of Holdings allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Obligor (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of Holdings or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Obligor pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of Holdings (to the extent Holdings reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

Person: any individual, corporation, limited liability company, unlimited liability company, partnership, joint venture, association, trust, unincorporated organization, Governmental Authority or other entity.

Plan: an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of an Obligor or ERISA Affiliate, or to which an Obligor or ERISA Affiliate is required to contribute on behalf of its employees.

Platform: as defined in **Section 14.3(c)**.

Pledge Agreement: (i) Pledge Agreement dated as of the date hereof by the Obligors in favor of Agent with respect to the Equity Interests owned by U.S. Borrowers and Guarantors of the U.S. Obligations and (ii) Pledge Agreement dated as of the date hereof by the Obligors in favor of Agent with respect to the Equity Interests owned by Canadian Borrowers and the Guarantors of the Canadian Obligations, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

Pledged ULC Shares: the Equity Interests which are shares in the capital stock of a ULC.

PPSA: the Personal Property Security Act of British Columbia (or any successor statute) or similar legislation of any other Canadian jurisdiction, including, without limitation, the Civil Code of Québec, the laws of which are required by such legislation to be applied in connection with the issue, perfection, enforcement, opposability, enforceability, validity or effect of security interests or hypothecs.

Prime Rate: the rate of interest announced by Bank of America from time to time as its prime rate. Such rate is set by Bank of America on the basis of various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate. Any change in such rate publicly announced by Bank of America shall take effect at the opening of business on the day specified in the announcement.

Pro Forma Basis: with respect to compliance with any financial performance test hereunder for the applicable period, in respect of any Pro Forma Specified Transaction, the making of such calculation after giving pro forma effect to:

(a) the consummation of such Pro Forma Specified Transaction as of the first day of the applicable period, as if such Pro Forma Specified Transaction had been consummated on the first day of such period;

(b) the assumption, incurrence or issuance of any Debt by Holdings or any of its Subsidiaries (including any Person which becomes a Subsidiary pursuant to or in connection with such Pro Forma Specified Transaction) in connection with such Pro Forma Specified Transaction, as if such Debt had been assumed, incurred or issued (and the proceeds thereof applied) on the first day of such Test Period (with any such Indebtedness bearing interest during any portion of the applicable Test Period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness incurred during such period);

(c) the costs and expenses of any target that have not been assumed by Holdings or any of its Subsidiaries shall be disregarded to the extent such costs and expenses are reasonably identifiable, factually supportable and certified by a Senior Officer of Borrower Agent, and any (i) cost and expenses of any such target that have been assumed in any Pro Forma Specified Transaction and (ii) incremental recurring costs and expenses incurred in connection with any Pro Forma Specified Transaction shall, in the case of each of **clauses (i)** and **(ii)** be calculated as if such costs and expenses were assumed on the first day of such period; and

(d) with respect to any Permitted Colorado Property Sale- Leaseback, the incurrence of any lease, rental or other payment obligations by Holdings or any of its Subsidiaries in connection with such Permitted Colorado Property Sale-Leaseback, as if such lease, rental or other payment obligations had been incurred on the first date of such period (and as if such payments had been paid during such period);

with **clauses (a)** through **(d)** calculated in a manner consistent with GAAP and the definition of EBITDA and subject to, the limitations set forth in the definition of EBITDA, including adjustments for restructuring charges or reserves and non-recurring integration costs.

Pro Forma Specified Transaction: means any Investment (including any Acquisition), Asset Disposition (including, without limitation, any Permitted Colorado Property Sale-Leaseback), incurrence or repayment of Debt or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a "Pro Forma Basis".

Pro Rata: with respect to:

(a) any U.S. Lender, a percentage (rounded to the ninth decimal place) determined (a) by dividing the amount of such Lender's U.S. Revolver Commitment by the aggregate outstanding U.S. Revolver Commitments; or (b) following termination of the U.S. Revolver Commitments, by dividing the amount of such Lender's U.S. Revolver Loans and U.S. LC Obligations by the aggregate outstanding U.S. Revolver Loans and U.S. LC Obligations or, if all U.S. Revolver Loans and U.S. LC Obligations have been Paid in Full and/or Cash Collateralized, by dividing such Lender's and its Affiliates' and branches' remaining U.S. Obligations by the aggregate remaining U.S. Obligations.

(b) any Canadian Lender, a percentage (rounded to the ninth decimal place) determined (a) by dividing the amount of such Lender's Canadian Revolver Commitment by the aggregate outstanding Canadian Revolver Commitments; or (b) following termination of the Canadian Revolver Commitments, by dividing the amount of such Lender's Canadian Revolver Loans and Canadian LC Obligations by the aggregate outstanding Canadian Revolver Loans and Canadian LC Obligations or, if all Canadian Revolver Loans and Canadian LC Obligations have been Paid in Full and/or Cash Collateralized, by dividing such Lender's and its Affiliates' and branches' remaining Canadian Obligations by the aggregate remaining Canadian Obligations.

(c) any Lender, a percentage (rounded to the ninth decimal place) determined (a) by dividing the amount of such Lender's Revolver Commitment by the aggregate outstanding Revolver Commitments; or (b) following termination of the Revolver Commitments, by dividing the amount of such Lender's Revolver Loans and LC Obligations by the aggregate outstanding Revolver Loans and LC Obligations or, if all Revolver Loans and LC Obligations have been Paid in Full and/or Cash Collateralized, by dividing such Lender's and its Affiliates' and branches' remaining Obligations by the aggregate remaining Obligations.

Properly Contested: with respect to any obligation of an Obligor, (a) the obligation is subject to a bona fide dispute regarding amount or the Obligor's liability to pay; (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; (c) appropriate reserves have been established in accordance with GAAP; (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Obligor; (e) no Lien is imposed on assets of the Obligor, unless bonded and stayed to the satisfaction of Agent; and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

Property: any interest in any kind of property or asset, whether Real Estate, personal or mixed, or tangible or intangible.

Protective Advances: Canadian Protective Advances and/or U.S. Protective Advances, as the context requires.

Purchase Agreements: The Share Purchase Agreement and the Asset Purchase Agreement.

Purchase Money Debt : (a) Debt (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets; (b) Debt (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof; and (c) any renewals, extensions or refinancings (but not increases) thereof.

Purchase Money Lien: a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Debt and constituting a Capital Lease or a purchase money security interest under the UCC or PPSA or a hypothec or a vendor hypothec under the Civil Code of Québec.

Qualified ECP: an Obligor with total assets exceeding $10,000,000, or that constitutes an "eligible contract participant" under the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" under Section 1a(18)(A)(v)(II) of such act.

Qualified Equity Interests: Equity Interests not constituting Disqualified Equity Interests.

RCRA: the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901-6991i).

Real Estate: all right, title and interest (whether as owner, lessor or lessee) in any real Property or any buildings, structures, parking areas or other improvements thereon.

Real Estate Term Note: that certain Real Estate Term Note, dated September 18, 2014 between WJCO and Wells Fargo Bank, National Association, as in effect of the Initial Closing Date.

Recipient: Agent, Issuing Bank, any Lender or any other recipient of a payment to be made by an Obligor under a Loan Document or on account of an Obligation.

Refinancing Conditions: the following conditions (a) for Refinancing Debt (other than with respect to the extending, renewing or refinancing of Debt arising under the Term Loan Facility): (i) it is in an aggregate principal amount that does not exceed the principal amount of the Debt being extended, renewed or refinanced; (ii) it has a final maturity no sooner than, a weighted average life no less than, and an interest rate no greater than, the Debt being extended, renewed or refinanced; (iii) it is subordinated to the Obligations at least to the same extent as the Debt being extended, renewed or refinanced; (iv) the representations, covenants and defaults applicable to it are no less favorable to Borrowers than those applicable to the Debt being extended, renewed or refinanced; (v) no additional Lien is granted to secure it; (vi) no additional Person is obligated on such Debt; and (vii) upon giving effect to it, no Default or Event of Default exists; or (b) for Refinancing Debt that is extending, renewing or refinancing Debt arising under the Term Loan Facility, such Debt is extended, renewed or refinanced in accordance with and to the extent permitted by the terms and provisions of the Intercreditor Agreement.

Refinancing Debt: Borrowed Money that is the result of an extension, renewal or refinancing of Debt permitted under **Section 10.2(a)(ii), (iv), (vi)** or **(viii)**.

Reimbursement Date: as defined in **Section 2.3(b)(i)**.

Related Agreements: the Existing Purchase Agreement, Purchase Agreements the Management Agreements and all agreements, instruments and documents executed or delivered in connection therewith.

Related Parties: the Sponsor or any of Holdings' other equity holders as of the Initial Closing Date and, in each case, their Controlled Investment Affiliates.

Related Real Estate Documents: with respect to any Real Estate subject to a Mortgage, the following, in form and substance satisfactory to Agent and received by Agent for review at least 30 days prior to the effective date of the Mortgage: (a) a mortgagee title policy (or proforma therefor) covering Agent's interest under the Mortgage, by an insurer acceptable to Agent, which must be fully paid on such effective date; (b) such assignments of leases, estoppel letters, attornment agreements, consents, waivers and releases as Agent may require with respect to other Persons having an interest in the Real Estate; (c) a current, as-built survey of the Real Estate, containing a valid legal description and certified by a licensed surveyor acceptable to Agent; (d) flood hazard information requested by any Lender as needed for a life-of-loan flood hazard determination and, if the Real Estate is located in a special flood hazard zone, flood insurance documentation (including an acknowledged notice to borrower and real property and contents flood insurance acceptable to Agent) in accordance with the Flood Disaster Protection Act or otherwise satisfactory to each Lender; (e) a current appraisal of the Real Estate, prepared by an appraiser acceptable to Agent, and in form and substance satisfactory to Required Lenders; (f) an environmental assessment, prepared by environmental engineers acceptable to Agent, and such other reports, certificates, studies or data as Agent may require, all in form and substance satisfactory to Required Lenders; and (g) an Environmental Agreement and such other documents, instruments or agreements as Agent may require with respect to any environmental risks regarding the Real Estate.

Rent and Charges Reserve: the aggregate of (a) all past due rent and other amounts owing by an Obligor to any landlord, warehouseman, processor, repairman, mechanic, shipper, freight forwarder, broker or other Person who possesses any ABL Priority Collateral or could assert a Lien on any ABL Priority Collateral; and (b) a reserve at least equal to three months rent and other charges that could be payable to any such Person, unless it has executed a Lien Waiver.

Report: as defined in **Section 12.2(c)**.

Reportable Event: any event set forth in Section 4043(c) of ERISA, other than an event for which the 30 day notice period has been waived.

Reporting Trigger Period: the period (a) commencing on the day that (i) an Event of Default occurs, or (ii) Global Availability is at any time less than 15.0% of the Revolver Commitment for at least five (5) consecutive Business Days, or (iii) U.S. Availability is at any time less than $5,000,000; and (b) continuing until, during each of the preceding thirty (30) consecutive days, no Event of Default has existed, Global Availability has been greater than 15.0% of the Revolver Commitment and U.S. Availability has been greater than $5,000,000.

Requesting Borrower: with respect to any Letter of Credit, shall mean the Borrower requesting such Letter of Credit to be issued for the benefit of itself or any of its Affiliates.

Required Lenders: Canadian Required Lenders and U.S. Required Lenders.

Restricted Investment: any Investment by an Obligor or Subsidiary, other than (a) Investments in Subsidiaries to the extent existing on the Closing Date; (b) Cash Equivalents that are subject to Agent's Lien and control, pursuant to documentation in form and substance satisfactory to Agent; (c) loans and advances permitted under **Sections 10.2(a)** and **10.2(g)**; (d) Permitted Acquisitions; (e) Investments consisting of bank deposits in the Ordinary Course of Business; (f) Investments consisting of contributions of capital or asset transfers to Borrowers or Guarantors, so long as no Change of Control occurs as a result thereof; (g) Investments by way of Revolver Loans permitted by **Section 10.2(g)**; (h) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts; (i) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby; (j) the Existing Acquisition, Asset Acquisitions and, upon the satisfaction of the Share Acquisition Conditions, the Share Acquisition, (k) other Investments by an Obligor or Subsidiary (including Investments by a Obligor or Subsidiary in Foreign Subsidiaries) so long as (x) no Default or Event of Default exists at the time such Investment is made or results therefrom and (y) the aggregate amount of all such Investments made pursuant to this **clause (k)** does not exceed $3,000,000 at any one time outstanding and (l) additional Investments that are not Acquisitions so long as the Specified Transaction Conditions are satisfied in connection therewith.

Restrictive Agreement: an agreement (other than a Loan Document) that conditions or restricts the right of any Borrower, Subsidiary or other Obligor to incur or repay Borrowed Money, to grant Liens on any assets, to declare or make Distributions, to modify, extend or renew any agreement evidencing Borrowed Money, or to repay any intercompany Debt.

Revolver Commitment: the Canadian Revolver Commitment and/or U.S. Revolver Commitment, as the context requires.

Revolver Loan: the Canadian Revolver Loan and/or U.S. Revolver Loan, as the context requires.

Revolver Termination Date: February 10, 2022; provided, however, that, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

Revolver Usage: the sum of the Canadian Revolver Usage and U.S. Revolver Usage.

Royalties: all royalties, fees, expense reimbursement and other amounts payable by an Obligor under a License.

S&P: Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor acceptable to Agent.

Sanction: any sanction administered or enforced by the U.S. Government (including OFAC), United Nations Security Council, European Union, the Government of Canada, Her Majesty's Treasury or other sanctions authority.

Secured Bank Product Obligations: Debt, obligations and other liabilities with respect to Bank Products owing by an Obligor or Affiliate of an Obligor to a Secured Bank Product Provider; provided, that Secured Bank Product Obligations of an Obligor shall not include its Excluded Swap Obligations.

Secured Bank Product Provider: (a) Bank of America or any of its Affiliates or branches; and (b) any other Lender or Affiliate or branch of a Lender that is providing a Bank Product, provided such provider delivers written notice to Agent, in form and substance satisfactory to Agent, within 10 days following the later of the Closing Date or creation of the Bank Product, (i) describing the Bank Product and setting forth the maximum amount to be secured by the Collateral and the methodology to be used in calculating such amount, and (ii) agreeing to be bound by **Section 12.13**.

Secured Parties: Canadian Secured Parties and U.S. Secured Parties.

Security Documents: the Guaranties, Canadian Security Agreements, Pledge Agreement, Mortgages, IP Security Agreements, Deposit Account Control Agreements, Insurance Assignment and all other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) any Obligations.

Senior Officer: the chairman of the board, president, chief executive officer or chief financial officer of a Borrower or, if the context requires, an Obligor.

Settlement Report: a report summarizing Revolver Loans and participations in LC Obligations outstanding as of a given settlement date, allocated to Lenders on a Pro Rata basis in accordance with their Revolver Commitments.

Share Acquisition: The acquisition by EWGS of substantially all of the Equity Interests of Eddi for a purchase price of $14,607,024 pursuant to and in accordance with the Share Purchase Agreement.

Share Acquisition Conditions: the satisfaction of each of the following by no later than November 15, 2017:

(i) Agent shall have received a Borrowing Base Report as of October 31, 2017 showing that upon giving effect to the consummation of the Share Acquisition, the payment by Borrowers of all fees and expenses incurred in connection therewith and in connection with the Term Loan Facility and the other Transactions as well as any payables stretched beyond their customary payment practices, Global Availability is at least equal to 15% of the Revolver Commitment for each of the preceding 30 days and as of the date of the Asset Acquisition, based on the U.S. Accounts Formula Amount, the U.S. Inventory Formula Amount, the U.S. FILO Availability Amount, the Canadian Accounts Formula Amount and the Canadian Inventory Formula Amount without giving any effect to the limitation of the Revolver Commitments,

(ii) the Share Acquisition shall be consummated substantially concurrently with the satisfaction of the conditions set forth, and shall be, consummated in accordance with the Share Purchase Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Agent,

(iii) Immediately before and after giving effect to the Share Acquisition, the representations and warranties set forth herein and the other Loan Documents shall be true and correct in all respects on and as of the Closing Date,

(iv) Immediately before and after giving effect to the Share Acquisition, the representations and warranties set forth herein and in the other Loan Documents shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier), and

(v) No Default or Event of Default exists immediately before and after giving effect to the consummation of the Share Acquisition.

Share Purchase Agreement: The share purchase agreement, in the form of the drafted dated November 8, 2017 among EWGS, as purchaser, and More or Les Ventures Ltd., a corporation incorporated under the laws of the Province of British Columbia, as seller and Ed Les, an individual resident in the Province of British Columbia, as guarantor.

Solvent: as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities); (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured; (c) is able to pay all of its debts as they mature; (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage; (e) as regards a U.S. Obligor, is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code and as regards a Canadian Obligor, in not an "insolvent person" within the meaning of the BIA; and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

Specified Distributions: dividend and distribution payments made by the Obligors (other than Holdings) to Holdings, for further concurrent distribution to the members of Holdings (other than distributions or dividends permitted pursuant to **clause (a)** or **(c)** of the definition of Permitted Distributions), in each case subject to the satisfaction of the Specified Transaction Conditions.

Specified Transaction Conditions: with respect to any Specified Transaction, both before and after giving pro forma effect to any such Specified Transaction, either of the following is true: (a) (i) no Default or Event of Default has occurred and is continuing or would result therefrom, (ii) Global Availability is at least equal to 15.0% of the Revolver Commitment for each of the 30 days preceding and as of the date of such Specified Transaction and (iii) the Fixed Charge Coverage Ratio calculated both before and, on a Pro Forma Basis, after giving pro forma effect to such Specified Transaction is not less than 1.0 to 1.0, whether or not a Financial Covenant Trigger Period exists or (b) (i) no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) Global Availability is at least equal to 20.0% of the Revolver Commitment for each of the 30 days preceding and as of the date of such Specified Transaction.

Specified Transactions: (a) Specified Distributions, (b) payments of Debt pursuant to and in accordance with **Section 10.2(h)(ii)(B)**, (c) payments of Debt pursuant to and in accordance with **Section 10.2(h)(iv)(C)**, (d) payments of Debt pursuant to and in accordance with **Section 10.2(h)(v)**, (e) Investments made pursuant to and in accordance with clause (l) of the definition of Restricted Investments, and (f) Permitted Acquisitions.

Specified Obligor: an Obligor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to **Section 5.11**).

Sponsor: Hawthorn Equity Partners and its Controlled Investment Affiliates.

Spot Rate: the exchange rate, as determined by Agent, that is applicable to conversion of one currency into another currency, which is (a) the exchange rate reported by Bloomberg (or other commercially available source designated by Agent) as of the end of the preceding business day in the financial market for the first currency, which is used by spot rate in Agent's principal foreign exchange trading office; or (b) if such report is unavailable for any reason, the spot rate for the purchase of the first currency with the second currency as in effect during the preceding business day in Agent's principal foreign exchange trading office for the first currency.

Stated Amount: the outstanding amount of a Letter of Credit, including any automatic increase or tolerance (whether or not then in effect) provided by the Letter of Credit or related LC Documents.

Subordinated Debt: (a) any Permitted Affiliate Sub Debt and (b) any other Debt incurred by an Obligor that (i) is unsecured, (ii) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its Permitted Discretion, (iii) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (iv) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (v) does not contain any financial covenants, (vi) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, (vii) is subject to permanent standstill provisions, and (viii) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to Agent.

Subsidiary: with respect to any Person, means any entity at least 50% of whose voting securities or Equity Interests is owned by such Person (including indirect ownership through other entities in which such Person directly or indirectly owns 50% of the voting securities or Equity Interests).

SunBlaster: as defined in the preamble to this Agreement.

Swap Obligations: with respect to an Obligor, its obligations under a Hedging Agreement that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Swingline Loan: a Canadian Swingline Loan and/or U.S. Swingline Loan, as the context requires.

Taxes: all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

Termination Event: (i) the voluntary full or partial wind up of a Canadian Pension Plan that is a registered pension plan by a Canadian Obligor; (ii) the institution of proceedings by any Governmental Authority to terminate in whole or in part or have a trustee appointed to administer such a plan; or (iii) any other event or condition which could reasonably be expected to constitute grounds for the termination of, winding up of, partial termination or winding up of, or the appointment of a trustee to administer, any such plan.

Term Loan : the "Term Loan" made pursuant to and as defined in the Term Loan Facility or any equivalent term used to describe the term loans made thereunder and in connection therewith.

Term Loan Agent: means Brightwood Loan Services LLC, in its capacity as administrative agent under the Term Loan Facility, and its successors and assigns.

Term Loan Documents: has the meaning assigned to the term "Term Loan Documents" in the Intercreditor Agreement.

Term Loan Facility: (i) that certain Credit Agreement, dated as of the date hereof, as may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, among the Obligors, the Term Loan Agent, the Term Loan Lenders, and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Debt or other financial accommodation that has been incurred to increase, extend (subject to the limitations set forth herein and in the Intercreditor Agreement), replace or refinance in whole or in part the Debt and other obligations outstanding under (x) the credit agreement referred to in **clause (i)** or (y) any subsequent credit agreement, unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Term Loan Facility hereunder shall be deemed a reference to any Term Loan Facility then in existence.

Term Loan Lenders: has the meaning assigned to the term "Term Loan Lenders" in the Intercreditor Agreement.

Term Loan Obligations: shall mean the "Obligations" as such term is defined in the Term Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

Term Loan Priority Collateral: has the meaning assigned to such term in the Intercreditor Agreement.

Transactions: collectively, (a) the execution, delivery and performance by each Obligor of the Loan Documents to which such Obligor is a party and the borrowing of the initial Revolver Loans hereunder and the use of proceeds thereof in accordance with the terms hereof, (b) the payment of fees and expenses related to the foregoing, and (c) the execution and delivery of the Assumption Agreement and the consummation of the transactions contemplated thereby, including the assumption by Eddi of the obligations of the EWGS hereunder.

Transferee: any actual or potential Eligible Assignee, Participant or other Person acquiring an interest in any Obligations.

UCC: the Uniform Commercial Code as in effect in the State of New York or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code of such jurisdiction.

ULC: any unlimited company, unlimited liability company or unlimited liability corporation or any similar entity existing under the laws of any province or territory of Canada and any successor to any such entity.

Unfinanced Capital Expenditures: all Capital Expenditures except those financed with Borrowed Money other than Revolver Loans.

Unused Line Fee Rate: a per annum rate equal to 0.375%.

U.S. Accounts Formula Amount: 85% of the Value of Eligible Accounts of U.S. Borrowers.

U.S. Availability: the U.S. Borrowing Base minus U.S. Revolver Usage.

U.S. Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to U.S. Borrowers; (b) the Rent and Charges Reserve related to the locations of U.S. Borrowers; (c) the U.S. Bank Product Reserve; (d) all accrued Royalties, then due and payable by a U.S. Obligor; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of U.S. Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of U.S. Borrowers; and (g) such additional reserves, in such amounts and with respect to such matters related to U.S. Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

U.S. Bank Product: any of the following products, services, or facilities extended to any U.S. Obligor or Affiliate of a U.S. Obligor (other than a Canadian Obligor) by a U.S. Lender or any of its Affiliates: (a) Cash Management Services; (b) products under Hedging Agreements; (c) commercial credit card and merchant card services; and (d) leases and other banking products or services, other than Letters of Credit.

U.S. Bank Product Reserve: the aggregate amount of reserves established by Agent from time to time in its Permitted Discretion in respect of a Secured Bank Product Obligations of U.S. Obligors.

U.S. Base Rate: for any day, a per annum rate equal to the greatest of (a) the Prime Rate for such day; (b) the Federal Funds Rate for such day, plus 0.50%; or (c) LIBOR for a 30 day interest period as of such day, plus 1.0%.

U.S. Base Rate Revolver Loan: a U.S. Revolver Loan that bears interest based on the U.S. Base Rate.

U.S. Borrowers: as defined in the preamble to this Agreement, and any other U.S. Obligor that becomes a U.S. Borrower pursuant to **Section 10.1(i)(x)**.

U.S. Borrowing Base: on any date of determination, an amount equal to the lesser of (a) (i) the aggregate U.S. Revolver Commitments, minus (ii) Canadian Revolver Usage, minus (iii) the U.S. Availability Reserve; or (b) the sum of (i) the U.S. Accounts Formula Amount, plus (ii) the U.S. Inventory Formula Amount, plus (iii) the U.S. FILO Availability Amount, minus (iv) Canadian Revolver Usage; minus (v) the U.S. Availability Reserve.

U .S. Borrowing Base Report: a report of the U.S. Borrowing Base by U.S. Borrowers, in form and substance reasonably satisfactory to Agent.

U.S. Collateral: all Property of any U.S. Borrower described in **Section 7.1**, all Property of any U.S. Borrower described in any Security Documents as security for any U.S. Obligations, and all other Property of any U.S. Borrower that now or hereafter secures (or is intended to secure) any U.S. Obligations or guaranty thereof.

U.S. FILO Accounts Percentage: 5%; provided, however, that commencing on December 12, 2018 and continuing on the first day of each successive month thereafter until such percentage is reduced to 0%, such percentage shall be reduced by 0.2778%

U .S. FILO Availability Amount: on any date of determination, an amount equal to the lesser of (a) the sum of: (i) the U.S. FILO Accounts Percentage of the Value of Eligible Accounts of U.S. Borrowers, plus (ii) the lesser of (x) the U.S. FILO Inventory Percentage of the Value of Eligible Inventory of U.S. Borrowers or (y) the U.S. FILO Inventory Percentage of the NOLV Percentage of the Value of Eligible Inventory of U.S. Borrowers, and (b) $5,000,000.

U.S. FILO Inventory Percentage: 10%; provided, however, that commencing on December 12, 2018 and continuing on the first day of each successive month thereafter until such percentage is reduced to 0%, such percentage shall be reduced by 0.5556%.

U.S. FILO Loans: as such term is defined in **Section 2.1(a)**.

U.S. Guarantor: Holdings, and each other Person that guarantees payment or performance of U.S. Obligations pursuant to a Guaranty.

U. S. Inventory Formula Amount: the lesser of (i) up to 70% of the Value of Eligible Inventory of U.S. Borrowers or (ii) 85% of the NOLV Percentage of the Value of Eligible Inventory of U.S. Borrowers.

U.S. LC Obligations: the sum of (a) all amounts owing by U.S. Borrowers for drawings under Letters of Credit issued at the request of U.S. Borrowers; and (b) the Stated Amount of all outstanding Letters of Credit issued at the request of U.S. Borrowers.

U.S. Lender: Bank of America and any other Person having U.S. Revolver Commitments from time to time or at any time.

U.S. LIBOR Loan: each set of U.S. LIBOR Revolver Loans having a common length and commencement of Interest Period.

U.S. LIBOR Revolver Loan: a U.S. Revolver Loan that bears interest based on LIBOR.

U.S. Obligations: on any date, the portion of the Obligations outstanding that are owing by U.S. Borrowers.

U.S. Obligor: U.S. Borrowers and any Guarantor organized or formed under the laws of the U.S. or any state or territory thereof.

U.S. Overadvance: as defined in **Section 2.1(e)**.

U.S. Overadvance Loan: a U.S. Base Rate Revolver Loan made when a U.S. Overadvance exists or is caused by the funding thereof.

U.S. Protective Advances: as defined in **Section 2.1(f)**.

U.S . Required Lenders: two or more unaffiliated U.S. Secured Parties holding more than 50% of (a) the aggregate outstanding U.S. Revolver Commitments; or (b) following termination of the U.S. Revolver Commitments, the aggregate outstanding U.S. Revolver Loans and U.S. LC Obligations or, if all U.S. Revolver Loans and U.S. LC Obligations have been Paid in Full, the aggregate remaining U.S. Obligations; provided, however, that U.S. Revolver Commitments, U.S. Revolver Loans and other U.S. Obligations held by a Defaulting Lender and its Affiliates shall be disregarded in making such calculation, but any related Fronting Exposure shall be deemed held as a U.S. Revolver Loan or U.S. LC Obligation by the U.S. Secured Party that funded the applicable U.S. Revolver Loan or issued the applicable Letter of Credit issued at the request of a U.S. Borrower.

U.S. Revolver Commitment: for any US. Lender, its obligation to make U.S. Revolver Loans and to participate in U.S. LC Obligations up to the maximum principal Dollar amount in the applicable Available Currency equal to the amount shown on **Schedule 1.1**, as hereafter modified pursuant to an Assignment to which it is a party.

U.S. Revolver Commitments: means the aggregate amount of U.S. Revolver Commitments of all U.S. Lenders.

U.S. Revolver Loan: a loan made pursuant to **Section 2.1(a)(ii)** (including, without limitation, any U.S. FILO Loan), which Loan shall be denominated in Dollars and shall be either a U.S. Base Rate Loan or a U.S. LIBOR Loan, in each case as selected by U.S. Borrowers or the Borrower Agent, and any U.S. Swingline Loan, U.S. Overadvance Loan or U.S. Protective Advance.

U .S. Revolver Usage: the amount of (a) the aggregate amount of outstanding U.S. Revolver Loans; plus (b) the aggregate Stated Amount of outstanding Letters of Credit issued at the request of U.S. Borrowers, except to the extent Cash Collateralized by U.S. Borrowers.

U.S. Secured Parties: Agent, Issuing Bank, U.S. Lenders and Secured Bank Product Providers.

U.S. Swingline Loan: any Borrowing by of U.S Base Rate Revolver Loans funded with Agent's funds, until such Borrowing is settled among U.S. Lenders or repaid by U.S. Borrowers.

U.S. Person: "United States Person" as defined in Section 7701(a)(30) of the Code.

U.S. Tax Compliance Certificate: as defined in **Section 5.10(b)(ii)(C)**.

Value: (a) for Inventory, its value determined on the basis of the lower of cost or market, calculated on a first-in, first-out basis, and excluding any portion of cost attributable to intercompany profit among Borrowers and their Affiliates; and (b) for an Account, its face amount, net of any returns, rebates, discounts (calculated on the shortest terms), credits, allowances or Taxes (including sales, excise or other taxes) that have been or could be claimed by the Account Debtor or any other Person.

WJCO: as defined in the preamble to this Agreement.

Write-Down and Conversion Powers: the write- down and conversion powers of the applicable EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which powers are described in the EU Bail-In Legislation Schedule.

**1.2. Accounting Terms**. Under the Loan Documents (except as otherwise specified therein), all accounting terms shall be interpreted, all accounting determinations shall be made, and all financial statements shall be prepared, in accordance with GAAP applied on a basis consistent with the most recent audited financial statements of Borrowers delivered to Agent before the Closing Date and using the same inventory valuation method as used in such financial statements, except for any change required or permitted by GAAP (including any Accounting Changes (as defined below) if Borrowers' certified public accountants concur in such change, the change is disclosed to Agent, and all relevant provisions of the Loan Documents are amended in a manner satisfactory to Required Lenders to take into account the effects of the change. Until such time as such an amendment shall have been executed and delivered by the Borrowers, the Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Public Company Accounting Oversight Board, the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the Securities and Exchange Commission (or successors thereto or agencies with similar functions).

**1.3.** **Uniform Commercial Code; PPSA**. As used herein, the following terms are defined in accordance with the UCC in effect in the State of New York or, if applicable, the PPSA, from time to time: "Account," "Account Debtor," "Chattel Paper," "Commercial Tort Claim," "Document" (in the PPSA, a "document of title"), "Equipment," "General Intangibles" (in the PPSA, "intangibles") "Goods," "Instrument," "Investment Property," "Letter-of-Credit Right" and "Supporting Obligation."

**1.4.** **Certain Matters of Construction**. The terms "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, "from" means "from and including," and "to" and "until" each mean "to but excluding." The terms "including" and "include" shall mean "including, without limitation" and, for purposes of each Loan Document, the parties agree that the rule of *ejusdem generis* shall not be applicable to limit any provision. Section titles appear as a matter of convenience only and shall not affect the interpretation of any Loan Document. All references to (a) laws include all related regulations, interpretations, supplements, amendments and successor provisions; (b) any document, instrument or agreement include any amendments, waivers and other modifications, extensions or renewals (to the extent permitted by the Loan Documents); (c) any Section mean, unless the context otherwise requires, a Section of this Agreement; (d) any exhibits or schedules mean, unless the context otherwise requires, exhibits and schedules attached hereto, which are hereby incorporated by reference; (e) any Person include successors and assigns; (f) time of day mean time of day at Agent's notice address under **Section 14.3(a)**; (g) discretion of Agent, Issuing Bank or any Lender mean the sole and absolute discretion of such Person; or (h) except as otherwise set forth herein, in the determination of any date required for performance or deliveries, if such date is calculated to be a date other than a Business Day, such delivery or performance shall be due on the next succeeding Business Day. All references to Value, Borrowing Base components, Revolver Loans, Letters of Credit, Obligations and other amounts herein shall be denominated in Dollars, unless expressly provided otherwise, and all determinations (including calculations of Borrowing Base and financial covenants) made from time to time under the Loan Documents shall be made in light of the circumstances existing at such time. Borrowing Base calculations shall be consistent with historical methods of valuation and calculation, and otherwise satisfactory to Agent (and not necessarily calculated in accordance with GAAP). Borrowers shall have the burden of establishing any alleged negligence, misconduct or lack of good faith by Agent, Issuing Bank or any Lender under any Loan Documents. No provision of any Loan Documents shall be construed against any party by reason of such party having, or being deemed to have, drafted the provision. Reference to a Borrower's "knowledge" or similar concept means actual knowledge of a Senior Officer, or knowledge that a Senior Officer would have obtained if he or she had engaged in good faith and diligent performance of his or her duties, including reasonably specific inquiries of employees or agents and a good faith attempt to ascertain the matter. With respect to the delivery of any projection or other forecasts, Agent, Issuing Bank and Lenders hereby acknowledge that (i) such information is forward looking and uncertain in nature, (ii) no assurances or representations or warranties may be made or given that such projections or forecasts will be achieved, and (iii) actual results might vary and any such variance might be material. For purposes of any Collateral located in the Province of Québec or charged by any deed of hypothec (or any other Loan Document) and for all other purposes pursuant to which the interpretation or construction of a Loan Document may be subject to the laws of the Province of Québec or a court or tribunal exercising jurisdiction in the Province of Québec, (i) "personal property" shall be deemed to include "movable property", (ii) "real property" shall be deemed to include "immovable property", (iii) "tangible property" shall be deemed to include "corporeal property", (iv) "intangible property" shall be deemed to include "incorporeal property", (v) "security interest" and "mortgage" shall be deemed to include a "hypothec", (vi) all references to filing, registering or recording under the UCC or the PPSA shall be deemed to include publication under the Civil Code of Québec, (vii) all references to "perfection" of or "perfected" Liens shall be deemed to include a reference to the "opposability" of such Liens to third parties, (viii) any "right of offset", "right of setoff" or similar expression shall be deemed to include a "right of compensation", (ix) "goods" shall be deemed to include "corporeal movable property" other than chattel paper, documents of title, instruments, money and securities, (x) an "agent" shall be deemed to include a "mandatary", and (xi) "gross negligence or willful misconduct" shall be deemed to include "gross or intentional fault". The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated herein be drawn up in the English language only and that all other documents contemplated thereunder or relating thereto, including notices, may also be drawn up in the English language only. *Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement.*

**1.5. Currency Equivalents**.

(a) Calculations. All references in the Loan Documents to Revolver Loans, Letters of Credit, Obligations, Borrowing Base components and other amounts shall be denominated in Dollars, unless expressly provided otherwise. The Dollar Equivalent of any amounts denominated or reported under a Loan Document in a currency other than Dollars shall be determined by Agent on a daily basis, based on the current Spot Rate. Borrowers shall report Value and other Borrowing Base components to Agent in the currency invoiced by Borrowers (for Accounts) or shown in Borrowers' financial records (for all other assets), and unless expressly provided otherwise, shall deliver financial statements and calculate financial covenants in Dollars. Notwithstanding anything herein to the contrary, if an Obligation is funded or expressly denominated in a currency other than Dollars, Borrowers shall repay such Obligation in such other currency.

(b) Judgments. If, in connection with obtaining judgment in any court, it is necessary to convert a sum from the currency provided under a Loan Document ("Agreement Currency") into another currency, the Spot Rate shall be used as the rate of exchange. Notwithstanding any judgment in a currency ("Judgment Currency ") other than the Agreement Currency, a Borrower shall discharge its obligation in respect of any sum due under a Loan Document only if, on the Business Day following receipt by Agent of payment in the Judgment Currency, Agent can use the amount paid to purchase the sum originally due in the Agreement Currency. If the purchased amount is less than the sum originally due, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify Agent and Lenders against such loss. If the purchased amount is greater than the sum originally due, Agent shall return the excess amount to such Borrower (or to the Person legally entitled thereto).

**SECTION 2. CREDIT FACILITIES**

**2.1. Revolver Commitment**.

(a) Revolver Loans.

(i) Canadian Revolver Loans. Each Canadian Lender agrees, severally on a Pro Rata basis up to its Canadian Revolver Commitment, on the terms set forth herein, to make Canadian Revolver Loans to Canadian Borrowers from time to time through the Commitment Termination Date. The Canadian Revolver Loans may be repaid and reborrowed as provided herein. In no event shall Canadian Lenders have any obligation to honor a request for a Canadian Revolver Loan if Canadian Revolver Usage at such time plus the requested Canadian Revolver Loan would exceed the Canadian Borrowing Base or if the Revolver Usage at such time plus the requested Revolver Loan would exceed the Borrowing Base.

(ii) U.S. Revolver Loans. Each U.S. Lender agrees, severally on a Pro Rata basis up to its U.S. Revolver Commitment, on the terms set forth herein, to make U.S. Revolver Loans to U.S. Borrowers from time to time through the Commitment Termination Date. The U.S. Revolver Loans may be repaid and reborrowed as provided herein. In no event shall U.S. Lenders have any obligation to honor a request for a U.S. Revolver Loan if U.S. Revolver Usage at such time plus the requested U.S. Revolver Loan would exceed the U.S. Borrowing Base or if the Revolver Usage at such time plus the requested Revolver Loan would exceed the Borrowing Base. Notwithstanding anything to the contrary contained herein and so long as the U.S. FILO Availability Amount is in effect, it is understood and agreed that all U.S. Revolver Loans shall be deemed to be made first based on the U.S. FILO Availability Amount (to the extent any such amount is available) prior to any other component of the U.S. Borrowing Base (such U.S. Revolver Loans made based on the U.S. FILO Availability Amount being referred to herein as, "U.S. FILO Loans").

(b) Notes. Revolver Loans and interest accruing thereon shall be evidenced by the records of Agent and the applicable Lender. At the request of a Lender, Borrowers shall deliver promissory note(s) to such Lender, evidencing its Revolver Loans.

(c) Use of Proceeds. The proceeds of Revolver Loans shall be used by Borrowers solely (i) to pay fees and transaction expenses associated with the closing of this credit facility, the Term Loan and the Closing Date Acquisitions and with the foregoing; (ii) to pay Obligations in accordance with this Agreement; and (iii) for lawful corporate purposes of Borrowers, including working capital, Permitted Acquisitions and Capital Expenditures. Borrowers shall not, directly or indirectly, use any Letter of Credit or Revolver Loan proceeds, nor use, lend, contribute or otherwise make available any Letter of Credit or Revolver Loan proceeds to any Subsidiary, joint venture partner or other Person, (x) to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of issuance of the Letter of Credit or funding of the Revolver Loan, is the subject of any Sanction; (y) in any manner that would result in a violation of a Sanction by any Person (including any Secured Party or other individual or entity participating in a transaction); or (z) for any purpose that would breach the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, the Corruption of Foreign Public Officials Act (Canada) or similar Applicable Law in any jurisdiction.

(d) Voluntary Reduction or Termination of Revolver Commitments.

(i) The Revolver Commitments shall terminate on the Revolver Termination Date, unless sooner terminated in accordance with this Agreement. Upon at least 10 days prior written notice to Agent, Borrowers may, at their option, terminate the Revolver Commitments and this credit facility. Any notice of termination given by Borrowers shall be irrevocable. On the termination date, Borrowers shall make Full Payment of all Obligations.

(ii) Borrowers may permanently reduce the Canadian Revolver Commitments or U.S. Revolver Commitments, on a ratable basis for all applicable Lenders, upon at least 90 days prior written notice to Agent, which notice shall specify the amount of the reduction and shall be irrevocable once given. Each reduction shall be in a minimum amount of $5,000,000, or an increment of $1,000,000 in excess thereof.

(e) Overadvances.

(i) Canadian Overadvances. If Canadian Revolver Usage exceeds the Canadian Borrowing Base ("Canadian Overadvance") at any time, the excess shall be payable by Canadian Borrowers **on demand** by Agent and shall constitute a Canadian Obligation secured by the Canadian Collateral, entitled to all benefits of the Loan Documents. Agent may require Canadian Lenders to fund Canadian Prime Rate Revolver Loans that cause or constitute a Canadian Overadvance and to forbear from requiring Canadian Borrowers to cure a Canadian Overadvance, as long as the total Canadian Overadvance does not exceed ten (10)% of the Canadian Borrowing Base and does not continue for more than 30 consecutive days without the consent of Canadian Required Lenders. In no event shall Canadian Overadvance Loans be required that would cause Canadian Revolver Usage to exceed the aggregate Canadian Revolver Commitments or Revolver Usage to exceed the aggregate Revolver Commitments. Any funding of a Canadian Overadvance Loan or sufferance of a Canadian Overadvance shall not constitute a waiver by Agent or Lenders of the Event of Default caused thereby. In no event shall any Borrower or other Obligor be deemed a beneficiary of this Section nor authorized to enforce any of its terms.

(ii) U.S. Overadvances. If U.S. Revolver Usage exceeds the U.S. Borrowing Base ("U.S. Overadvance") at any time, the excess shall be payable by U.S. Borrowers **on demand** by Agent and shall constitute a U.S. Obligation secured by the U.S. Collateral, entitled to all benefits of the Loan Documents. Agent may require U.S. Lenders to fund U.S. Base Rate Revolver Loans that cause or constitute a U.S. Overadvance and to forbear from requiring U.S. Borrowers to cure a U.S. Overadvance, as long as the total U.S. Overadvance does not exceed ten (10)% of the U.S. Borrowing Base and does not continue for more than 30 consecutive days without the consent of U.S. Required Lenders. In no event shall U.S. Overadvance Loans be required that would cause U.S. Revolver Usage to exceed the aggregate U.S. Revolver Commitments or Revolver Usage to exceed the aggregate Revolver Commitments. Any funding of a U.S. Overadvance Loan or sufferance of a U.S. Overadvance shall not constitute a waiver by Agent or Lenders of the Event of Default caused thereby. In no event shall any Borrower or other Obligor be deemed a beneficiary of this Section nor authorized to enforce any of its terms.

(f) Protective Advances.

(i) Canadian Protective Advances. Agent (including acting through its Canada branch) shall be authorized, in its discretion, at any time that any conditions in **Section 6** are not satisfied, to make Canadian Prime Rate Revolver Loans or Canadian Base Rate Revolver Loans ("Canadian Protective Advances") (A) up to an aggregate amount of ten (10)% of the Canadian Borrowing Base outstanding at any time, if Agent deems such Canadian Revolver Loans necessary or desirable to preserve or protect Canadian Collateral, or to enhance the collectability or repayment of Canadian Obligations, as long as such Canadian Revolver Loans do not cause Canadian Revolver Usage to exceed the aggregate Canadian Revolver Commitments or the Revolver Usage to exceed the aggregate Revolver Commitments; or (B) to pay any other amounts chargeable to Canadian Obligors under any Loan Documents, including interest, costs, fees and expenses. Canadian Lenders shall participate on a Pro Rata basis in Canadian Protective Advances outstanding from time to time. Canadian Required Lenders may at any time revoke Agent's authority to make further Canadian Protective Advances under clause (A) by written notice to Agent. Absent such revocation, Agent's determination that funding of a Canadian Protective Advance is appropriate shall be conclusive.

(ii) U.S. Protective Advances. Agent shall be authorized, in its discretion, at any time that any conditions in **Section 6** are not satisfied, to make U.S. Base Rate Revolver Loans ("U.S. Protective Advances") (A) up to an aggregate amount of ten (10)% of the U.S. Borrowing Base outstanding at any time, if Agent deems such U.S. Revolver Loans necessary or desirable to preserve or protect U.S. Collateral, or to enhance the collectability or repayment of U.S. Obligations, as long as such U.S. Revolver Loans do not cause U.S. Revolver Usage to exceed the aggregate U.S. Revolver Commitments or the Revolver Usage to exceed the aggregate Revolver Commitments; or (B) to pay any other amounts chargeable to U.S. Obligors under any Loan Documents, including interest, costs, fees and expenses. U.S. Lenders shall participate on a Pro Rata basis in U.S. Protective Advances outstanding from time to time. U.S. Required Lenders may at any time revoke Agent's authority to make further U.S. Protective Advances under clause (A) by written notice to Agent. Absent such revocation, Agent's determination that funding of a U.S. Protective Advance is appropriate shall be conclusive.

**2.2. Reserved.**

**2.3. Letter of Credit Facility**.

(a) Issuance of Letters of Credit. Issuing Bank shall issue Letters of Credit from time to time until thirty (30) Days prior to the Revolver Termination Date (or until the Commitment Termination Date, if earlier), on the terms set forth herein, including the following:

(i) Each Borrower acknowledges that Issuing Bank's issuance of any Letter of Credit is conditioned upon Issuing Bank's receipt of a LC Application with respect to the requested Letter of Credit, as well as such other instruments and agreements as Issuing Bank may customarily require for issuance of a letter of credit of similar type and amount. Issuing Bank shall have no obligation to issue any Letter of Credit unless (A) Issuing Bank receives a LC Request and LC Application at least three Business Days prior to the requested date of issuance; (B) each LC Condition is satisfied; and (C) if a Defaulting Lender exists, such Lender or Borrowers have entered into arrangements satisfactory to Agent and Issuing Bank to eliminate any Fronting Exposure associated with such Lender. If, in sufficient time to act, Issuing Bank receives written notice from Agent or Canadian Required Lenders (if Requesting Borrower is a Canadian Borrower) or U.S. Required Lenders (if Requesting Borrower is a U.S. Borrower) that an LC Condition has not been satisfied, Issuing Bank shall not issue the requested Letter of Credit. Prior to receipt of any such notice, Issuing Bank shall not be deemed to have knowledge of any failure of LC Conditions.

(ii) Letters of Credit may be requested by any U.S. Borrower to support obligations of such U.S. Borrower incurred in the Ordinary Course of Business, or as otherwise approved by Agent. Letters of Credit may be requested by any Canadian Borrower to support obligations of such Canadian Borrower incurred in the Ordinary Course of Business, or as otherwise approved by Agent. Increase, renewal or extension of a Letter of Credit shall be treated as issuance of a new Letter of Credit, except that Issuing Bank may require a new LC Application in its discretion.

(iii) Each Borrower assumes all risks of the acts, omissions or misuses of any Letter of Credit by the beneficiary with respect to the Letters of Credit issued at the request of such Borrower. In connection with issuance of any Letter of Credit, none of Agent, Issuing Bank or any Lender shall be responsible for the existence, character, quality, quantity, condition, packing, value or delivery of any goods purported to be represented by any Documents; any differences or variation in the character, quality, quantity, condition, packing, value or delivery of any goods from that expressed in any Documents; the form, validity, sufficiency, accuracy, genuineness or legal effect of any Documents or of any endorsements thereon; the time, place, manner or order in which shipment of goods is made; partial or incomplete shipment of, or failure to ship, any goods referred to in a Letter of Credit or Documents; any deviation from instructions, delay, default or fraud by any shipper or other Person in connection with any goods, shipment or delivery; any breach of contract between a shipper or vendor and a Borrower; errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, telecopy, e-mail, telephone or otherwise; errors in interpretation of technical terms; the misapplication by a beneficiary of any Letter of Credit or the proceeds thereof; or any consequences arising from causes beyond the control of Issuing Bank, Agent or any Lender, including any act or omission of a Governmental Authority. Borrowers shall take all commercially reasonable action to avoid and mitigate any damages relating to any Letter of Credit or claimed against Issuing Bank, Agent or any Lender, including through enforcement of any available rights against a beneficiary. Issuing Bank shall be fully subrogated to the rights and remedies of any beneficiary whose claims against Borrowers are discharged with proceeds of a Letter of Credit. The rights and remedies of Issuing Bank under the Loan Documents shall be cumulative.

(iv) In connection with its administration of and enforcement of rights or remedies under any Letters of Credit or LC Documents, Issuing Bank shall be entitled to act, and shall be fully protected in acting, upon any certification, documentation or communication in whatever form believed by Issuing Bank, in good faith, to be genuine and correct and to have been signed, sent or made by a proper Person. Issuing Bank may consult with and employ legal counsel, accountants and other experts to advise it concerning its obligations, rights and remedies, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by such experts. Issuing Bank may employ agents and attorneys-in-fact in connection with any matter relating to Letters of Credit or LC Documents, and shall not be liable for the negligence or misconduct of agents and attorneys-in-fact selected with reasonable care.

(v) All Existing Letters of Credit which were issued and are outstanding under the Original Loan Agreement shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(b) Reimbursement; Participations.

(i) If Issuing Bank honors any request for payment under a Letter of Credit, Requesting Borrower shall pay to Issuing Bank, on the same day ("Reimbursement Date"), the amount paid by Issuing Bank under such Letter of Credit, together with interest at the interest rate for Floating Rate Loans related to the currency denominating such Letter of Credit from the Reimbursement Date until payment by or on behalf of such Requesting Borrower. The obligation of U.S. Borrowers to reimburse Issuing Bank for any payment made under a Letter of Credit requested by a U.S. Borrower shall be absolute, unconditional, irrevocable, and joint and several, and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or the existence of any claim, setoff, defense or other right that Requesting Borrower may have at any time against the beneficiary. The obligation of Canadian Borrowers to reimburse Issuing Bank for any payment made under a Letter of Credit requested by a Canadian Borrower shall be absolute, unconditional, irrevocable, and joint and several, and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or the existence of any claim, setoff, defense or other right that Requesting Borrower may have at any time against the beneficiary. Whether or not a Notice of Borrowing has been submitted on behalf of a Requesting Borrower, such Requesting Borrower shall be deemed to have requested a Borrowing of Floating Rate Loans related to the currency denominating such Letter of Credit in an amount necessary to pay all amounts due Issuing Bank on any Reimbursement Date and each Lender shall fund its Pro Rata share of such Borrowing whether or not the Revolver Commitments have terminated, a Canadian Overadvance, a U.S. Overadvance or an Overadvance exists or is created thereby, or the conditions in **Section 6** are satisfied.

(ii) Each Lender providing a Revolver Commitment to the Requesting Borrower hereby irrevocably and unconditionally purchases from Issuing Bank, without recourse or warranty, an undivided Pro Rata participation in all LC Obligations of the Requesting Borrower relating to such Letter of Credit. Issuing Bank is issuing Letters of Credit in reliance upon this participation. If Requesting Borrower does not make a payment to Issuing Bank when due hereunder, Agent shall promptly notify the Lenders providing a Revolver Commitment to such Requesting Borrower and each such Lender shall within one Business Day after such notice pay to Agent, for the benefit of Issuing Bank, the Lender's Pro Rata share of such payment. Upon request by a Lender, Issuing Bank shall provide copies of Letters of Credit and LC Documents in its possession at such time.

(iii) The obligation of each Lender to make payments to Agent for the account of Issuing Bank in connection with Issuing Bank's payment under a Letter of Credit shall be absolute, unconditional and irrevocable, not subject to any counterclaim, setoff, qualification or exception whatsoever, and shall be made in accordance with this Agreement under all circumstances, irrespective of any lack of validity or unenforceability of any Loan Documents; any draft, certificate or other document presented under a Letter of Credit having been determined to be forged, fraudulent, noncompliant, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; any waiver by Issuing Bank of a requirement that exists for its protection (and not a Requesting Borrower's protection) or that does not materially prejudice a Requesting Borrower; any honor of an electronic demand for payment even if a draft is required; any payment of an item presented after a Letter of Credit's expiration date if authorized by the UCC or applicable customs or practices; or any setoff or defense that an Obligor may have with respect to any Obligations. Issuing Bank does not assume any responsibility for any failure or delay in performance or any breach by any Borrower or other Person of any obligations under any LC Documents. Issuing Bank does not make to Lenders any express or implied warranty, representation or guaranty with respect to any Letter of Credit, Collateral, LC Document or Obligor. Issuing Bank shall not be responsible to any Lender for any recitals, statements, information, representations or warranties contained in, or for the execution, validity, genuineness, effectiveness or enforceability of any LC Documents; the validity, genuineness, enforceability, collectability, value or sufficiency of any Collateral or the perfection of any Lien therein; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor.

(iv) No Issuing Bank Indemnitee shall be liable to any Lender or other Person for any action taken or omitted to be taken in connection with any Letter of Credit or LC Document except as a result of its gross negligence or willful misconduct. Issuing Bank may refrain from taking any action with respect to a Letter of Credit until it receives written instructions (and in its discretion, appropriate assurances) from the Lenders.

(c) Cash Collateral. Subject to **Section 2.1(e)**, if at any time (i) an Event of Default exists, (ii) the Commitment Termination Date has occurred, or (iii) the Revolver Termination Date is scheduled to occur within 20 Business Days, then U.S. Borrowers shall, at Issuing Bank's or Agent's request, Cash Collateralize all outstanding Letters of Credit issued at the request of a U.S. Borrower and Canadian Borrowers shall, at Issuing Bank's or Agent's request, Cash Collateralize all outstanding Letters of Credit issued at the request of a Canadian Borrower. U.S. Borrowers and Canadian Borrowers (as applicable) shall, at Issuing Bank's or Agent's request at any time, Cash Collateralize the Fronting Exposure of any Defaulting Lender. If Borrowers fail to provide any Cash Collateral as required hereunder, Lenders may (and shall upon direction of Agent) advance, as Floating Rate Loans, the amount of Cash Collateral required (whether or not the Revolver Commitments have terminated, a Canadian Overadvance exists, a U.S. Overadvance exists or an Overadvance exists or the conditions in **Section 6** are satisfied).

(d) Resignation of Issuing Bank. Issuing Bank may resign at any time upon notice to Agent and Borrowers, and any resignation of Agent hereunder shall automatically constitute its concurrent resignation as Issuing Bank. From the effective date of such resignation, Issuing Bank shall have no obligation to issue, amend, renew, extend or otherwise modify any Letter of Credit, but shall otherwise continue to have all rights and obligations of an Issuing Bank hereunder relating to any Letter of Credit issued by it prior to such date. Agent shall promptly appoint a replacement Issuing Bank, which, as long as no Default or Event of Default exists, shall be reasonably acceptable to Borrowers.

**SECTION 3. INTEREST, FEES AND CHARGES**

**3.1. Interest**.

(a) Rates and Payment of Interest.

(i) The Obligations shall bear interest (A) if a U.S. Base Rate Revolver Loan, at the U.S. Base Rate in effect from time to time, plus the Applicable Margin; (B) if a U.S. LIBOR Loan, at LIBOR for the applicable Interest Period, plus the Applicable Margin; (C) if a Canadian Prime Rate Revolver Loan, at the Canadian Prime Rate in effect from time to time, plus the Applicable Margin; (D) if a Canadian Base Rate Revolver Loan, at the Canadian Base Rate in effect from time to time, plus the Applicable Margin; (E) if a Canadian LIBOR Loan, at LIBOR for the applicable Interest Period, plus the Applicable Margin (F) if a Canadian BA Rate Revolver Loan, at CDOR for the applicable Interest Period, plus the Applicable Margin; (E) if any other U.S. Obligation (including, to the extent permitted by law, interest not paid when due), at the U.S. Base Rate in effect from time to time, plus the Applicable Margin; and (F) if any other Canadian Obligation (including, to the extent permitted by law, interest not paid when due), at the Canadian Prime Rate (if such Obligation is denominated in Canadian Dollars) in effect from time to time, plus the Applicable Margin and at the Canadian Base Rate (if such Obligation is denominated in Dollars) in effect from time to time, plus the Applicable Margin.

(ii) During an Insolvency Proceeding with respect to any Borrower, or during any other Event of Default if Agent or Required Lenders in their discretion so elect following Agent's notice to Borrower Agent of such election and continuing until the applicable Event of Default is waived or cured, Obligations shall bear interest at the Default Rate (whether before or after any judgment). Each Borrower acknowledges that the cost and expense to Agent and Lenders due to an Event of Default are difficult to ascertain and that the Default Rate is fair and reasonable compensation for this.

(iii) Interest shall accrue from the date a Revolver Loan is advanced or Obligation is incurred or payable, until paid in full by Borrowers, and shall in no event be less than zero at any time. Interest accrued on the Revolver Loans shall be due and payable in arrears, (A) on the first day of each calendar month; (B) on any date of prepayment, with respect to the principal amount of Revolver Loans being prepaid; and (C) on the Commitment Termination Date. Interest accrued on any other Obligations shall be due and payable as provided in the Loan Documents and, if no payment date is specified, shall be due and payable on demand. Notwithstanding the foregoing, interest accrued at the Default Rate shall be due and payable on demand.

(b) Application of LIBOR and CDOR to Outstanding Revolver Loans.

(i) Canadian Borrowers may on any Business Day, subject to delivery of a Notice of Conversion/Continuation, elect to convert any portion of the Canadian Prime Rate Revolver Loans or Canadian Base Rate Revolver Loans to, or to continue any Canadian BA Rate Loan or Canadian LIBOR Loan at the end of its Interest Period as, a Canadian BA Rate Loan or Canadian LIBOR Loan, as applicable. During any Default or Event of Default, Agent may (and shall at the direction of Canadian Required Lenders) declare that no Revolver Loan may be made, converted or continued as a Canadian BA Rate Loan or Canadian LIBOR Loan.

(ii) To convert or continue Revolver Loans as Canadian BA Rate Loans or Canadian LIBOR Loans, Borrower Agent shall give Agent a Notice of Conversion/Continuation, no later than 11:00 a.m. at least two Business Days before the requested conversion or continuation date. Promptly after receiving any such notice, Agent shall notify each Canadian Lender thereof. Each Notice of Conversion/Continuation shall be irrevocable, and shall specify the amount of Revolver Loans to be converted or continued, the conversion or continuation date (which shall be a Business Day), and the duration of the Interest Period (which shall be deemed to be 30 days if not specified). If, upon the expiration of any Interest Period for any Canadian BA Rate Loan or Canadian LIBOR Loans, Canadian Borrowers shall have failed to deliver a Notice of Conversion/Continuation, they shall be deemed to have elected to convert such Canadian Revolver Loan into a Canadian Prime Rate Revolver Loan if such Revolver Loan is denominated in Canadian Dollars and into a Canadian Base Rate Revolver Loan if such Revolver Loan is denominated in Dollars. Agent does not warrant or accept responsibility for, nor shall it have any liability with respect to, administration, submission or any other matter related to any rate described in the definition of CDOR or LIBOR.

(iii) U.S. Borrowers may on any Business Day, subject to delivery of a Notice of Conversion/Continuation, elect to convert any portion of the U.S. Base Rate Revolver Loans to, or to continue any U.S. LIBOR Loan at the end of its Interest Period as, a U.S. LIBOR Loan. During any Default or Event of Default, Agent may (and shall at the direction of U.S. Required Lenders) declare that no Revolver Loan may be made, converted or continued as a U.S. LIBOR Loan.

(iv) To convert or continue Revolver Loans as U.S. LIBOR Loans, Borrower Agent shall give Agent a Notice of Conversion/Continuation, no later than 11:00 a.m. at least two Business Days before the requested conversion or continuation date. Promptly after receiving any such notice, Agent shall notify each U.S. Lender thereof. Each Notice of Conversion/Continuation shall be irrevocable, and shall specify the amount of Revolver Loans to be converted or continued, the conversion or continuation date (which shall be a Business Day), and the duration of the Interest Period (which shall be deemed to be 30 days if not specified). If, upon the expiration of any Interest Period for any U.S. LIBOR Loan, U.S. Borrowers shall have failed to deliver a Notice of Conversion/Continuation, they shall be deemed to have elected to convert such U.S. Revolver Loan into a U.S. Base Rate Revolver Loan. Agent does not warrant or accept responsibility for, nor shall it have any liability with respect to, administration, submission or any other matter related to any rate described in the definition of LIBOR.

(c) Interest Periods. In connection with the making, conversion or continuation of any Interest Period Loans, applicable Borrowers shall select an interest period ("Interest Period") to apply, which interest period shall be 30, 60, or 90 days (if available from all Lenders); provided, however, that:

(i) the Interest Period shall begin on the date the Revolver Loan is made or continued as, or converted into, an Interest Period Loan, and shall expire on the numerically corresponding day in the calendar month at its end;

(ii) if any Interest Period begins on a day for which there is no corresponding day in the calendar month at its end or if such corresponding day falls after the last Business Day of such month, then the Interest Period shall expire on the last Business Day of such month; and if any Interest Period would otherwise expire on a day that is not a Business Day, the period shall expire on the next Business Day; and

(iii) no Interest Period shall extend beyond the Revolver Termination Date.

(d) Interest Rate Not Ascertainable. If, due to any circumstance affecting the applicable London or Canadian interbank market, Agent determines that adequate and fair means do not exist for ascertaining LIBOR or CDOR on any applicable date or that any Interest Period is not available on the basis provided herein, then Agent shall immediately notify the applicable Borrowers of such determination. Until Agent notifies Borrowers that such circumstance no longer exists, the obligation of Lenders to make affected Revolver Loans shall be suspended and no further Revolver Loans may be converted into or continued as such U.S. LIBOR Loans, Canadian LIBOR Loans or Canadian BA Rate Revolver Loans, as applicable.

**3.2. Fees**.

(a) Unused Line Fee.

(i) U.S. Borrowers shall pay to Agent, for the Pro Rata benefit of U.S. Lenders, a fee equal to the Unused Line Fee Rate times the amount by which the U.S. Revolver Commitments exceed the average daily U.S. Revolver Usage during any calendar month. Such fee shall be payable in arrears, on the first day of each calendar month and on the Commitment Termination Date.

(b) LC Facility Fees.

(i) With respect to Letters of Credit issued at the request of a Requesting Borrower which is a Canadian Borrower, Canadian Borrowers shall pay (A) to Agent, for the Pro Rata benefit of Canadian Lenders, a fee equal to the Applicable Margin in effect for Canadian BA Rate Revolver Loans times the average daily Stated Amount of Letters of Credit issued at the request of a Canadian Borrower, which fee shall be payable monthly in arrears, on the first day of each calendar month; (B) to Agent, for its own account, a fronting fee equal to 0.125% per annum on the Stated Amount of each Letter of Credit issued at the request of a Canadian Borrower, which fee shall be payable monthly in arrears, on the first day of each calendar month; and (C) to Issuing Bank, for its own account, all customary charges associated with the issuance, amending, negotiating, payment, processing, transfer and administration of Letters of Credit issued at the request of a Canadian Borrower, which charges shall be paid as and when incurred. During an Event of Default, the fee payable under clause (A) shall be increased by 2% per annum.

(ii) With respect to Letters of Credit issued at the request of a Requesting Borrower which is a U.S. Borrower, U.S. Borrowers shall pay (A) to Agent, for the Pro Rata benefit of U.S. Lenders, a fee equal to the Applicable Margin in effect for U.S. LIBOR Rate Revolver Loans times the average daily Stated Amount of Letters of Credit issued at the request of a U.S. Borrower, which fee shall be payable monthly in arrears, on the first day of each calendar month; (B) to Agent, for its own account, a fronting fee equal to 0.125% per annum on the Stated Amount of each Letter of Credit issued at the request of a U.S. Borrower, which fee shall be payable monthly in arrears, on the first day of each calendar month; and (C) to Issuing Bank, for its own account, all customary charges associated with the issuance, amending, negotiating, payment, processing, transfer and administration of Letters of Credit issued at the request of a U.S. Borrower, which charges shall be paid as and when incurred. During an Event of Default, the fee payable under clause (A) shall be increased by 2% per annum.

(c) Fee Letter. Borrowers shall pay all fees set forth in the Fee Letter and any other fee letter executed in connection with this Agreement.

**3.3. Computation of Interest, Fees, Yield Protection**. All interest, as well as fees and other charges calculated on a per annum basis, shall be computed for the actual days elapsed, based on a year of 365 days for Canadian Revolver Loans (other than Canadian LIBOR Loans) and 360 days for all other Obligations. Each determination by Agent of any interest, fees or interest rate hereunder shall be final, conclusive and binding for all purposes, absent manifest error. All fees shall be fully earned when due and shall not be subject to rebate, refund or proration. All fees payable under **Section 3.2** are compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money. A certificate as to amounts payable by Obligors under **Section 3.4**, **3.6**, **3.7**, **3.9** or **5.9**, submitted to Borrower Agent by Agent or the affected Lender shall be final, conclusive and binding for all purposes, absent manifest error, and Obligors shall pay such amounts to the appropriate party within 10 days following receipt of the certificate. For the purpose of complying with the Interest Act (Canada), it is expressly stated that where interest is calculated pursuant hereto at a rate based upon a period of time different from the actual number of days in the year (for the purposes of this Section, the "first rate"), the yearly rate or percentage of interest to which the first rate is equivalent is the first rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the shorter period, and the parties hereto acknowledge that there is a material distinction between the nominal and effective rates of interest and that they are capable of making the calculations necessary to compare such rates and that the calculations herein are to be made using the nominal rate method and not on any basis that gives effect to the principle of deemed reinvestment of interest.

**3.4.** **Reimbursement Obligations**. Obligors shall pay all Extraordinary Expenses promptly upon request. Obligors shall also reimburse Agent for all reasonable legal, accounting, appraisal, consulting, and other fees and expenses incurred by it in connection with (a) negotiation and preparation of any Loan Documents, including any amendment or other modification thereof; (b) administration of and actions relating to any Collateral, Loan Documents and transactions contemplated thereby, including any actions taken to perfect or maintain priority of Agent's Liens on any Collateral, to maintain any insurance required hereunder or to verify Collateral; and (c) subject to the limits of **Section 10.1(a)(i)**, any examination, inspection, audit, or appraisal with respect to any Obligor or Collateral, whether prepared by Agent's personnel or a third party. All legal, accounting and consulting fees shall be charged to Obligors by Agent's professionals at their full hourly rates, regardless of any alternative fee arrangements that Agent, any Lender or any of their Affiliates may have with such professionals that otherwise might apply to this or any other transaction. Obligors acknowledge that counsel may provide Agent with a benefit (such as a discount, credit or accommodation for other matters) based on counsel's overall relationship with Agent, including fees paid hereunder. If, for any reason (including inaccurate reporting in any Borrower Materials), it is determined that a higher Applicable Margin should have applied to a period than was actually applied, then the proper margin shall be applied retroactively and Obligors shall immediately pay to Agent, for the ratable benefit of Lenders, an amount equal to the difference between the amount of interest and fees that would have accrued using the proper margin and the amount actually paid. All amounts payable by Obligors under this Section shall be due **on demand**.

**3.5.** **Illegality**. If any Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender to perform any of its obligations hereunder, to make, maintain, fund or charge applicable interest or fees with respect to any Revolver Loan or Letter of Credit, or to determine or charge interest based on LIBOR or CDOR, or any Governmental Authority has imposed, as regards CDOR, material restrictions on the Canadian market for bankers' acceptances or, as regards LIBOR, on the authority of such Lender to purchase or sell, or to take deposits of, the applicable Available Currency in the London interbank market, then, on notice thereof by such Lender to Agent, any obligation of such Lender to perform such obligations, to make, maintain or fund the Revolver Loan or participate in the Letter of Credit (or to charge interest or fees with respect thereto), or to continue or convert Revolver Loans as Interest Period Loans, shall be suspended until such Lender notifies Agent that the circumstances giving rise to such determination no longer exist. Upon delivery of such notice, Borrowers shall prepay the applicable Revolver Loan, Cash Collateralize the applicable LC Obligations or, if applicable, convert Interest Rate Loan(s) of such Lender to Floating Rate Loan(s), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain the Interest Period Loan to such day, or immediately, if such Lender may not lawfully continue to maintain the Interest Period Loan. Upon any such prepayment or conversion, Borrowers shall also pay accrued interest on the amount so prepaid or converted.

**3.6. Inability to Determine Rates**. Agent will promptly notify Borrower Agent and the applicable Lenders if, in connection with any Revolver Loan or request for a Revolver Loan, (a) Agent determines that (i) deposits in the applicable Available Currency are not being offered to banks in the London interbank Eurodollar market or bankers' acceptances are not being offered in the Canadian market for bankers' acceptances for the applicable Revolver Loan amount or Interest Period, or (ii) adequate and reasonable means do not exist for determining LIBOR or CDOR, as applicable, for the Interest Period; or (b) Agent or Canadian Required Lenders or U.S. Required Lenders, as applicable, determine for any reason that LIBOR or CDOR for the Interest Period does not adequately and fairly reflect the cost to the applicable Lenders of funding the Revolver Loan. Thereafter, the applicable Lenders' obligations to make or maintain affected Interest Period Loans and utilization of the LIBOR or CDOR component (if affected) in determining Canadian Prime Rate or U.S. Base Rate, as applicable, shall be suspended until Agent (upon instruction by Canadian Required Lenders or U.S. Required Lenders, as applicable) withdraws the notice. Upon receipt of such notice, Borrower Agent may revoke any pending request for an Interest Period Loan or, failing that, will be deemed to have requested a Canadian Prime Rate Revolver Loan or U.S. Base Rate Revolver Loan, as applicable.

**3.7. Increased Costs; Capital Adequacy**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, liquidity, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in calculating LIBOR or CDOR) or Issuing Bank;

(ii) subject any Recipient to Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (iii) Connection Income Taxes) with respect to any Revolver Loan, Letter of Credit, Revolver Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender, Issuing Bank or interbank market any other condition, cost or expense affecting any Revolver Loan, Letter of Credit, participation in LC Obligations, Revolver Commitment or Loan Document;

and the result thereof shall be to increase the cost to a Lender of making or maintaining any Revolver Loan or Revolver Commitment, or converting to or continuing any interest option for a Revolver Loan, or to increase the cost to a Lender or Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by a Lender or Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or Issuing Bank, Borrowers will pay to it such additional amount(s) as will compensate it for the additional costs incurred or reduction suffered.

(b) Capital Requirements. If a Lender or Issuing Bank determines that a Change in Law affecting such Lender or Issuing Bank or its holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's, Issuing Bank's or holding company's capital as a consequence of this Agreement, or such Lender's or Issuing Bank's Revolver Commitments, Revolver Loans, Letters of Credit or participations in LC Obligations or Revolver Loans, to a level below that which such Lender, Issuing Bank or holding company could have achieved but for such Change in Law (taking into consideration its policies with respect to capital adequacy), then from time to time Borrowers will pay to such Lender or Issuing Bank, as the case may be, such additional amounts as will compensate it or its holding company for the reduction suffered.

(c) Interest Period Loan Reserves. If any Canadian Lender or U.S. Lender, as applicable, is required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits or bankers' acceptances, Canadian Borrowers or U.S. Borrowers, as applicable, shall pay additional interest to such applicable Lender on each Interest Period Loan equal to the costs of such reserves allocated to the Revolver Loan by the Lender (as determined by it in good faith, which determination shall be conclusive). The additional interest shall be due and payable on each interest payment date for the Revolver Loan; provided, however, that if the applicable Lender notifies Borrower Agent (with a copy to Agent) of the additional interest less than ten (10) days prior to the interest payment date, then such interest shall be payable ten (10) days after Borrower Agent's receipt of the notice.

(d) Compensation. Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of its right to demand such compensation, but Obligors shall not be required to compensate a Lender or Issuing Bank for any increased costs or reductions suffered more than nine (9) calendar months (plus any period of retroactivity of the Change in Law giving rise to the demand) prior to the date that the Lender or Issuing Bank notifies Borrower Agent of the applicable Change in Law and of such Lender's or Issuing Bank's intention to claim compensation therefor.

**3.8. Mitigation**. If any Lender gives a notice under **Section 3.5** or requests compensation under **Section 3.7**, or if Obligors are required to pay any Indemnified Taxes or additional amounts with respect to a Lender under **Section 5.9**, then at the request of Borrower Agent, such Lender shall use reasonable efforts to designate a different Lending Office or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment (a) would eliminate the need for such notice or reduce amounts payable or to be withheld in the future, as applicable; and (b) would not subject the Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to it or unlawful. Obligors shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

**3.9. Funding Losses** . If for any reason (a) any Borrowing, conversion or continuation of an Interest Period Loan does not occur on the date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not withdrawn), (b) any repayment or conversion of an Interest Period Loan occurs on a day other than the end of its Interest Period, (c) Borrowers fail to repay an Interest Period Loan when required hereunder, or (d) a Lender (other than a Defaulting Lender) is required to assign an Interest Period Loan prior to the end of its Interest Period pursuant to **Section 13.4** , then Borrowers shall pay to Agent its customary administrative charge and to each Lender all losses, expenses and fees arising from redeployment of funds or termination of match funding. For purposes of calculating amounts payable under this Section, a Lender shall be deemed to have funded an Interest Period Loan by a matching deposit or other borrowing in the London or Canadian interbank market, as applicable, for a comparable amount and period, whether or not the Revolver Loan was in fact so funded.

**3.10.** **Maximum Interest**. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by Applicable Law ("maximum rate"). If Agent or any Lender shall receive interest in an amount that exceeds the maximum rate, the excess interest shall be applied to the principal of the Obligations or, if it exceeds such unpaid principal, refunded to Borrowers. In determining whether the interest contracted for, charged or received by Agent or a Lender exceeds the maximum rate, such Person may, to the extent permitted by Applicable Law, (a) characterize any payment that is not principal as an expense, fee or premium rather than interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder. Without limiting the generality of this **Section 3.10**, if any provision of any of the Loan Documents would obligate Canadian Borrowers or any other Obligor to make any payment of interest with respect to the Canadian Obligations or in an amount or calculated at a rate which would be prohibited by Applicable Law or would result in the receipt of interest with respect to the Canadian Obligations at a criminal rate (as such terms are construed under the Criminal Code (Canada)), then notwithstanding such provision, such amount or rates shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the applicable recipient of interest with respect to the Canadian Obligations at a criminal rate, such adjustment to be effected, to the extent necessary, as follows: (i) first, by reducing the amount or rates of interest required to be paid to the applicable recipient under the Loan Documents; and (ii) thereafter, by reducing any fees, commissions, premiums and other amounts required to be paid to the applicable recipient which would constitute interest with respect to the Canadian Obligations for purposes of Section 347 of the Criminal Code (Canada). Notwithstanding the foregoing, and after giving effect to all adjustments contemplated thereby, if the applicable recipient shall have received an amount in excess of the maximum permitted by that Section of the Criminal Code (Canada), then Canadian Borrowers shall be entitled, by notice in writing to Agent, to obtain reimbursement from the applicable recipient in an amount equal to such excess, and pending such reimbursement, such amount shall be deemed to be an amount payable by the applicable recipient to Canadian Borrowers. Any amount or rate of interest with respect to the Canadian Obligations referred to in this **Section 3.10** shall be determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term that any Canadian Revolver Loans to Canadian Borrowers remains outstanding on the assumption that any charges, fees or expenses that fall within the meaning of "interest" (as defined in the Criminal Code (Canada)) shall, if they relate to a specific period of time, be prorated over that period of time and otherwise be prorated over the period from the Closing Date to the date of Full Payment of the Canadian Obligations, and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Agent shall be conclusive for the purposes of such determination.

**SECTION 4. LOAN ADMINISTRATION**

**4.1. Manner of Borrowing and Funding Revolver Loans**.

(a) Notice of Borrowing.

(i) To request Revolver Loans, Borrower Agent shall give Agent a Notice of Borrowing by 11:00 a.m. (in the Applicable Time Zone) (i) on the requested funding date, in the case of Floating Rate Loans, and (ii) at least two Business Days prior to the requested funding date, in the case of Interest Period Loans. Notices received by Agent after such time shall be deemed received on the next Business Day. Each Notice of Borrowing shall be irrevocable and shall specify (A) the Borrowing amount, (B) the requested funding date (which must be a Business Day), (C) whether the Borrowing is to be made as a Floating Rate Loan (and whether such request is for a Canadian Base Rate Revolver Loan or Canadian Prime Rate Revolver Loan if it is a request for a Canadian Revolver Loan) or Interest Period Loan, and (D) in the case of an Interest Period Loan (and whether such request is for a Canadian BA Rate Loan or Canadian LIBOR Loan if it is a request for a Canadian Revolver Loan), the applicable Interest Period (which shall be deemed to be 30 days if not specified).

(ii) Unless payment is otherwise made by the applicable Borrowers, the becoming due of any Obligation (whether principal, interest, fees or other charges, including Extraordinary Expenses, LC Obligations, Cash Collateral and Secured Bank Product Obligations) shall be deemed to be a request for a Floating Rate Loan (with respect to Canadian Obligations, a Canadian Base Rate Revolver Loan if such Obligation is denominated in Dollars and a Canadian Prime Rate Revolver Loan if such Obligation is denominated in Canadian Dollars) by the applicable Borrower on the due date in the amount due and the Revolver Loan proceeds shall be disbursed as direct payment of such Obligation. In addition, Agent may, at its option, charge such amount against any operating, investment or other account of the applicable Borrower maintained with Agent or any of its Affiliates or branches.

(iii) If a Borrower maintains a disbursement account with Agent or any of its Affiliates or branches, then presentation for payment in the account of a Payment Item when there are insufficient funds to cover it shall be deemed to be a request for a Floating Rate Loan (with respect to Payment Items of a Canadian Obligor, a Canadian Base Rate Revolver Loan if such Payment Item is denominated in Dollars and a Canadian Prime Rate Revolver Loan if such Payment Item is denominated in Canadian Dollars) by such Borrower on the presentation date, in the amount of the Payment Item. Proceeds of the Revolver Loan may be disbursed directly to the account.

(b) Fundings by Lenders. Except for Borrowings to be made as Swingline Loans, Agent shall endeavor to notify Canadian Lenders or U.S. Lenders, as applicable, of each Notice of Borrowing (or deemed request for a Borrowing) by 1:00 p.m. (in the Applicable Time Zone) on the proposed funding date for a Floating Rate Loan or by 3:00 p.m. (in the Applicable Time Zone) at least two Business Days before a proposed funding of an Interest Period Loan. Each Lender shall fund its Pro Rata share of a Borrowing in immediately available funds not later than 3:00 p.m. (in the Applicable Time Zone) on the requested funding date, unless Agent's notice is received after the times provided above, in which case Lender shall fund by 11:00 a.m. (in the Applicable Time Zone) on the next Business Day. Subject to its receipt of such amounts from Lenders, Agent shall disburse the Borrowing proceeds to the applicable Borrowers in a manner directed by Borrower Agent and acceptable to Agent. Unless Agent receives (in sufficient time to act) written notice from a Lender that it will not fund its share of a Borrowing, Agent may assume that such Lender has deposited or promptly will deposit its share with Agent, and Agent may disburse a corresponding amount to the applicable Borrowers. If a Lender's share of a Borrowing or of a settlement under **Section 4.1.(c)(iii)** is not received by Agent, then Borrowers requesting such Borrowing agree to repay to Agent **on demand** the amount of such share, together with interest thereon from the date disbursed until repaid, at the rate applicable to the Borrowing. A Lender or Issuing Bank may fulfill its obligations under Loan Documents through one or more Lending Offices, and this shall not affect any obligation of Obligors under the Loan Documents or with respect to any Obligations.

(c) Swingline Loans; Settlement.

(i) To fulfill any request for a Canadian Prime Rate Revolver Loan or Canadian Base Rate Revolver Loan hereunder, Agent may in its discretion advance Canadian Swingline Loans to Canadian Borrowers, up to an aggregate outstanding amount of $4,500,000. Canadian Swingline Loans shall constitute Canadian Revolver Loans for all purposes, except that payments thereon shall be made to Agent for its own account until Canadian Lenders have funded their participations therein as provided below.

(ii) To fulfill any request for a U.S. Base Rate Revolver Loan hereunder, Agent may in its discretion advance U.S. Swingline Loans to U.S. Borrowers, up to an aggregate outstanding amount of $6,000,000. U.S. Swingline Loans shall constitute U.S. Revolver Loans for all purposes, except that payments thereon shall be made to Agent for its own account until U.S. Lenders have funded their participations therein as provided below.

(iii) Settlement of Revolver Loans, including Swingline Loans, among applicable Lenders and Agent shall take place on a date determined from time to time by Agent (but at least weekly, unless the settlement amount is de minimis), on a Pro Rata basis in accordance with the Settlement Report delivered by Agent to the applicable Lenders. Between settlement dates, Agent may in its discretion apply payments on Revolver Loans to Swingline Loans, regardless of any designation by Borrowers or anything herein to the contrary. Each Canadian Lender hereby purchases, without recourse or warranty, an undivided Pro Rata participation in all Canadian Swingline Loans outstanding from time to time until settled. Each U.S. Lender hereby purchases, without recourse or warranty, an undivided Pro Rata participation in all U.S. Swingline Loans outstanding from time to time until settled. If a Swingline Loan cannot be settled among the applicable Lenders, whether due to an Obligor's Insolvency Proceeding or for any other reason, each applicable Lender shall pay the amount of its participation in the Revolver Loan to Agent, in immediately available funds, within one Business Day after Agent's request therefor. Lenders' obligations to make settlements and to fund participations are absolute, irrevocable and unconditional, without offset, counterclaim or other defense, and whether or not the applicable Revolver Commitments have terminated, a Canadian Overadvance exists, a U.S. Overadvance exists or an Overadvance exists or the conditions in **Section 6** are satisfied.

(d) Notices. Borrowers may request, convert or continue Revolver Loans, select interest rates and transfer funds based on e -mailed instructions to Agent. Borrowers shall confirm each such request by prompt delivery to Agent of a Notice of Borrowing or Notice of Conversion/Continuation, if applicable, but if it differs materially from the action taken by Agent or Lenders, the records of Agent and Lenders shall govern. Neither Agent nor any Lender shall have any liability for any loss suffered by a Borrower as a result of Agent or any Lender acting upon its understanding of e-mailed instructions from a person believed in good faith by Agent or any Lender to be a person authorized to give such instructions on a Borrower's behalf.

**4.2. Defaulting Lender**. Notwithstanding anything herein to the contrary:

(a) Reallocation of Pro Rata Share; Amendments. For purposes of determining Lenders' obligations or rights to fund, participate in or receive collections with respect to applicable Revolver Loans and Letters of Credit (including existing Swingline Loans, Protective Advances and LC Obligations), Agent may in its discretion reallocate Pro Rata shares by excluding a Defaulting Lender's Revolver Commitments and Revolver Loans from the calculation of shares. A Defaulting Lender shall have no right to vote on any amendment, waiver or other modification of a Loan Document, except as provided in **Section 14.1(a)(iii)**.

(b) Payments; Fees. Agent may, in its discretion, receive and retain any amounts payable to a Defaulting Lender under the Loan Documents, and a Defaulting Lender shall be deemed to have assigned to Agent such amounts until all Obligations owing to Agent, non-Defaulting Lenders and other Secured Parties have been paid in full. Agent may use such amounts to cover the Defaulting Lender's defaulted obligations, to Cash Collateralize such Lender's Fronting Exposure, to readvance the amounts to Borrowers or to repay Obligations. A Lender shall not be entitled to receive any fees accruing hereunder while it is a Defaulting Lender and its unfunded Revolver Commitment shall be disregarded for purposes of calculating the unused line fee under **Section 3.2(a)**. If any LC Obligations owing to a Defaulted Lender are reallocated to other Lenders, fees attributable to such LC Obligations under **Section 3.2(b)** shall be paid to such Lenders. Agent shall be paid all fees attributable to LC Obligations that are not reallocated.

(c) Status; Cure. Agent may determine in its discretion that a Lender constitutes a Defaulting Lender and the effective date of such status shall be conclusive and binding on all parties, absent manifest error. Borrowers, Agent and Issuing Bank may agree in writing that a Lender has ceased to be a Defaulting Lender, whereupon applicable Pro Rata shares shall be reallocated without exclusion of the reinstated Lender's Revolver Commitments and Revolver Loans, and the applicable Revolver Usage and other exposures under the Revolver Commitments shall be reallocated among the applicable Lenders and settled by Agent (with appropriate payments by the reinstated Lender, including its payment of breakage costs for reallocated Interest Period Loans) in accordance with the readjusted applicable Pro Rata shares. Unless expressly agreed by Borrowers, Agent and Issuing Bank, or as expressly provided herein with respect to Bail- In Actions and related matters, no reallocation of Revolver Commitments and Revolver Loans to non-Defaulting Lenders or reinstatement of a Defaulting Lender shall constitute a waiver or release of claims against such Lender. The failure of any Lender to fund a Revolver Loan, to make a payment in respect of LC Obligations or otherwise to perform obligations hereunder shall not relieve any other Lender of its obligations under any Loan Document. No Lender shall be responsible for default by another Lender.

**4.3. Number and Amount of Fixed Rate Loans; Determination of Rate**.

(a) Each Borrowing of U.S. LIBOR Loans and Canadian LIBOR Loans when made shall be in a minimum amount of $1,000,000, plus an increment of $100,000 in excess thereof. No more than 6 Borrowings of U.S. LIBOR Loans and Canadian LIBOR Loans may be outstanding at any time, and all U.S. LIBOR Loans and Canadian LIBOR Loans having the same length and beginning date of their Interest Periods shall be aggregated together and considered one Borrowing for this purpose. Upon determining U.S. LIBOR for any Interest Period requested by U.S. Borrowers or Canadian Borrowers, Agent shall promptly notify Borrower Agent thereof by telephone or electronically and, if requested by Borrowers, shall confirm any telephonic notice in writing.

(b) Each Borrowing of Canadian BA Rate Loans when made shall be in a minimum amount of Cdn$1,000,000, plus an increment of Cdn$100,000 in excess thereof. No more than 6 Borrowings of Canadian BA Rate Loans may be outstanding at any time, and all Canadian BA Rate Loans having the same length and beginning date of their Interest Periods shall be aggregated together and considered one Borrowing for this purpose. Upon determining CDOR for any Interest Period requested by Canadian Borrowers, Agent shall promptly notify Borrower Agent thereof by telephone or electronically and, if requested by Borrowers, shall confirm any telephonic notice in writing.

**4.4. Borrower Agent**. Each Borrower hereby designates Hydrofarm ("Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipt of Revolver Loans and Letters of Credit, designation of interest rates, delivery or receipt of communications, delivery of Borrower Materials, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with Agent, Issuing Bank or any Lender. Borrower Agent hereby accepts such appointment. Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any notice of borrowing) delivered by Borrower Agent on behalf of any Borrower. Agent and Lenders may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of Agent, Issuing Bank and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action, omission or undertaking by Borrower Agent shall be binding upon and enforceable against such Borrower.

**4.5. One Obligation**.

(a) The U.S. Revolver Loans, U.S. LC Obligations and other U.S. Obligations constitute one general obligation of U.S. Borrowers and are secured by Agent's Liens on all U.S. Collateral; provided, however, that Agent and each U.S. Lender shall be deemed to be a creditor of, and the holder of a separate claim against, each U.S. Borrower to the extent of any U.S. Obligations jointly or severally owed by such U.S. Borrower.

(b) The Canadian Loans, Canadian LC Obligations and other Canadian Obligations constitute one general obligation of Canadian Borrowers and are secured by Agent's Liens on all Canadian Collateral; provided , however, that Agent and each Canadian Lender shall be deemed to be a creditor of, and the holder of a separate claim against, each Canadian Borrower to the extent of any Canadian Obligations jointly or severally owed by such Canadian Borrower.

**4.6. Effect of Termination**. On the effective date of the termination of all Revolver Commitments, the Obligations shall be immediately due and payable, and each Secured Bank Product Provider may terminate its Bank Products. Until Full Payment of the Obligations, all undertakings of Borrowers contained in the Loan Documents shall continue, and Agent shall retain its Liens in the Collateral and all of its rights and remedies under the Loan Documents. Agent shall not be required to terminate its Liens unless it receives Cash Collateral or a written agreement, in each case satisfactory to it, protecting Agent and Lenders from dishonor or return of any Payment Item previously applied to the Obligations. **Sections 2.3**, **3.4**, **3.6**, **3.7**, **3.9**, **5.5**, **5.9**, **5.10**, **12**, **14.2**, this Section, and each indemnity or waiver given by an Obligor or Lender in any Loan Document, shall survive Full Payment of the Obligations.

**SECTION 5. PAYMENTS**

**5.1. General Payment Provisions**. All payments of U.S. Obligations shall be made in Dollars and all payments of Canadian Obligations shall be made in Canadian Dollars, in each case without offset, counterclaim or defense of any kind, free and clear of (and without deduction for) any Taxes, and in immediately available funds, not later than 12:00 noon (in the Applicable Time Zone) on the due date. Any payment after such time shall be deemed made on the next Business Day. Any payment of an Interest Period Loan prior to the end of its Interest Period shall be accompanied by all amounts due under **Section 3.9**. Borrowers agree that Agent shall have the continuing, exclusive right to apply and reapply payments and proceeds of Canadian Collateral against the Canadian Obligations and U.S. Collateral against the U.S. Obligations, in such manner as Agent deems advisable, but whenever possible, any prepayment of U.S. Revolver Loans shall be applied first to U.S. Base Rate Revolver Loans and then to U.S. LIBOR Loans, prepayment of Canadian Revolver Loans denominated in Canadian Dollars shall be applied first to Canadian Prime Rate Revolver Loans and then to Canadian BA Rate Loans and prepayment of Canadian Revolver Loans denominated in Dollars shall be applied first to Canadian Base Rate Revolver Loans and then to Canadian LIBOR Rate Loans.

**5.2.** **Repayment of Revolver Loans**. Revolver Loans shall be due and payable in full on the Revolver Termination Date, unless payment is sooner required hereunder. Revolver Loans may be prepaid from time to time, without penalty or premium. Subject to **Section 2.1(e)**, (a) if a Canadian Overadvance exists at any time, Canadian Borrowers shall, on the sooner of Agent's demand or the first Business Day after any Canadian Borrower has knowledge thereof, repay Canadian Revolver Loans in an amount sufficient to reduce Canadian Revolver Usage to the Canadian Borrowing Base, (b) if a U.S. Overadvance exists at any time, U.S. Borrowers shall, on the sooner of Agent's demand or the first Business Day after any U.S. Borrower has knowledge thereof, repay U.S. Revolver Loans in an amount sufficient to reduce U.S. Revolver Usage to the U.S. Borrowing Base and (c) if an Overadvance exists at any time, Borrowers shall, on the sooner of Agent's demand or the first Business Day after any Borrower has knowledge thereof, repay Revolver Loans in an amount sufficient to reduce Revolver Usage to the Borrowing Base. If any Asset Disposition includes the disposition of Accounts or Inventory, applicable Borrowers shall apply Net Proceeds to repay applicable Revolver Loans equal to the greater of (y) the net book value of such Accounts and Inventory, or (z) the reduction in the applicable Borrowing Base resulting from the disposition.

**5.3.** **Mandatory Prepayments**. Subject to the Intercreditor Agreement:

(a) Concurrently with any Asset Disposition (i) of any Collateral of any Obligor and/or any of its Subsidiaries (excluding Permitted Asset Dispositions described in any of **clauses (a)**, **(b)**, **(c)**, **(d)**, **(f)**, **(g)**, **(h)**, **(i)**, **(j)** or **(l)** of such defined term) or (ii) consisting of a Permitted Colorado Sale-Leaseback, Borrowers shall prepay the Canadian Revolver Loans or U.S. Revolver Loans, as applicable, in an amount equal to the Net Proceeds of such disposition; provided that the requirements of this **Section 5.3(a)** shall not be applicable to any such Net Proceeds reinvested pursuant to **clause (k)(i)** of the definition of Permitted Asset Disposition;

(b) Concurrently with any proceeds of insurance or condemnation or expropriation awards paid in respect of any Collateral of any Obligor and/or any of its Subsidiaries, the applicable Borrowers shall prepay the Canadian Revolver Loans or U.S. Revolver Loans, as applicable, in an amount equal to such Net Proceeds, subject to **Section 8.6(b)**;

(c) concurrently with the receipt of any Net Proceeds of any Extraordinary Receipts by any Obligor and/or any of its Subsidiaries, Borrowers shall prepay the Canadian Revolver Loans or U.S. Revolver Loans, as applicable, in an amount equal to such Net Proceeds.

Any prepayment of U.S. Revolver Loans pursuant to this **Section 5.3** or any repayment of U.S. Revolver Loans pursuant to **Section 2.1(e)** shall be applied first, to all U.S. Revolver Loans (other than any U.S. FILO Loans) and thereafter to all U.S. FILO Loans. Subject to the Intercreditor Agreement, no prepayment of Revolver Loans pursuant to this **Section 5.3** shall cause a permanent reduction in the applicable Revolver Commitments. Each prepayment of Revolver Loans shall be accompanied by all interest accrued thereon and any amounts payable under **Section 3.9**.

**5.4.** **Payment of Other Obligations**. Subject to the Intercreditor Agreement, Obligations other than Revolver Loans, including LC Obligations and Extraordinary Expenses, shall be paid by the applicable Borrowers as provided in the Loan Documents or, if no payment date is specified, on demand.

**5.5. Marshaling; Payments Set Aside**. None of Agent or Lenders shall be under any obligation to marshal any assets in favor of any Obligor or against any Obligations. If any payment by or on behalf of Borrowers is made to Agent, Issuing Bank or any Lender, or if Agent, Issuing Bank or any Lender exercises a right of setoff, and any of such payment or setoff is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by Agent, Issuing Bank or a Lender in its discretion) to be repaid to a trustee, receiver or any other Person, then the Obligation originally intended to be satisfied, and all Liens, rights and remedies relating thereto, shall be revived and continued in full force and effect as if such payment or setoff had not occurred.

**5.6. Application and Allocation of Payments**.

(a) Application. Payments made by Obligors hereunder shall be applied, subject to the Intercreditor Agreement, (i) first, as specifically required hereby; (ii) second, to Obligations then due and owing; (iii) third, to other Obligations specified by Borrowers; and (iv) fourth, as determined by Agent in its discretion; provided, that notwithstanding the foregoing, any repayment or prepayment of U.S. Revolver Loans shall be applied first, to all U.S. Revolver Loans (other than U.S. FILO Loans) and thereafter to all U.S. FILO Loans.

(b) Post-Default Allocation for Canadian Obligations. Notwithstanding anything in any Loan Document (subject to the Intercreditor Agreement) to the contrary, during an Event of Default under **Section 11.1(j)**, or during any other Event of Default at the discretion of Agent or Canadian Required Lenders, monies to be applied to the Canadian Obligations, whether arising from payments by Obligors, realization on Canadian Collateral, setoff or otherwise, shall be allocated as follows:

(i) **FIRST**, to all fees, indemnification, costs and expenses, including Extraordinary Expenses, owing to Agent;

(ii) **SECOND**, to all amounts owing to Agent, including Canadian Swingline Loans, Canadian Protective Advances, and Canadian Revolver Loans and participations that a Defaulting Lender has failed to settle or fund;

(iii) **THIRD**, to all amounts owing to Issuing Bank;

(iv) **FOURTH**, to all Canadian Obligations (other than Canadian Secured Bank Product Obligations) constituting fees, indemnification, costs or expenses owing to Canadian Lenders;

(v) **FIFTH**, to all Canadian Obligations (other than Canadian Secured Bank Product Obligations) constituting interest;

(vi) **SIXTH**, to Cash Collateralize all Canadian LC Obligations;

(vii) **SEVENTH**, to all Canadian Revolver Loans and to Canadian Secured Bank Product Obligations arising under Hedge Agreements (including Cash Collateralization thereof) up to the amount of Canadian Bank Product Reserve existing therefor;

(viii) **EIGHTH**, to all other Canadian Secured Bank Product Obligations; and

(ix) **LAST**, to all remaining Canadian Obligations.

Amounts shall be applied to payment of each category of Canadian Obligations only after Full Payment of amounts payable from time to time under all preceding categories. If amounts are insufficient to satisfy a category, they shall be paid ratably among outstanding Canadian Obligations in the category.

(c) Post-Default Allocation for U.S. Obligations. Notwithstanding anything in any Loan Document (subject to the Intercreditor Agreement) to the contrary, during an Event of Default under **Section 11.1(j)**, or during any other Event of Default at the discretion of Agent or U.S. Required Lenders, monies to be applied to the U.S. Obligations, whether arising from payments by Obligors, realization on U.S. Collateral, setoff or otherwise, shall be allocated as follows:

(i) **FIRST**, to all fees, indemnification, costs and expenses, including Extraordinary Expenses, owing to Agent;

(ii) **SECOND**, to all amounts owing to Agent, including U.S. Swingline Loans, U.S. Protective Advances, and U.S. Revolver Loans and participations that a Defaulting Lender has failed to settle or fund;

(iii) **THIRD**, to all amounts owing to Issuing Bank;

(iv) **FOURTH**, to all U.S. Obligations (other than U.S. Secured Bank Product Obligations and U.S. Obligations of any U.S. FILO Loans) constituting fees, indemnification, costs or expenses owing to U.S. Lenders;

(v) **FIFTH**, to all U.S. Obligations (other than U.S. Secured Bank Product Obligations and U.S. Obligations of any U.S. FILO Loans) constituting interest;

(vi) **SIXTH**, to Cash Collateralize all U.S. LC Obligations;

(vii) **SEVENTH**, to all U.S. Revolver Loans (other than U.S. FILO Loans), and to U.S. Secured Bank Product Obligations arising under Hedge Agreements (including Cash Collateralization thereof) up to the amount of U.S. Bank Product Reserve existing therefor;

(viii) **EIGHTH**, to the U.S. Obligations of all U.S. FILO Loans constituting fees, indemnification, costs or expenses owing to U.S. Lenders;

(ix) **NINTH**, to the U.S. Obligations of all U.S. FILO Loans constituting interest;

(x) **TENTH**, to all U.S. FILO Loans;

(xi) **ELEVENTH**, to all other U.S. Secured Bank Product Obligations;

(xii) **TWELFTH**, to all remaining U.S. Obligations (exclusive of any Canadian Obligations which are guaranteed by the U.S. Obligors); and

(xiii) **LAST**, to be applied in accordance with clause (b) above, to the extent there are insufficient funds for the Full Payment of all Canadian Obligations owing by the Canadian Obligors.

Amounts shall be applied to payment of each category of U.S. Obligations only after Full Payment of amounts payable from time to time under all preceding categories. If amounts are insufficient to satisfy a category, they shall be paid ratably among outstanding U.S. Obligations in the category.

Monies and proceeds obtained from an Obligor shall not be applied to its Excluded Swap Obligations, but appropriate adjustments shall be made with respect to amounts obtained from other Obligors to preserve the allocations in each category. Agent shall have no obligation to calculate the amount of any Secured Bank Product Obligation and may request a reasonably detailed calculation thereof from a Secured Bank Product Provider. If the provider fails to deliver the calculation within five days following request, Agent may assume the amount is zero. The allocations set forth in this Section are solely to determine the rights and priorities among Secured Parties, and may be changed by agreement of the affected Secured Parties, without the consent of any Obligor. This Section is not for the benefit of or enforceable by any Obligor, and each Borrower irrevocably waives the right to direct the application of any payments or Collateral proceeds subject to this Section.

(d) Erroneous Application. Agent shall not be liable for any application of amounts made by it in good faith and, if any such application is subsequently determined to have been made in error, the sole recourse of any Lender or other Person to which such amount should have been paid shall be to recover the amount from the Person that actually received it (and, if such amount was received by a Secured Party, the Secured Party agrees to return it).

**5.7. Dominion Account**. The ledger balance in the main Dominion Account of each Borrower as of the end of a Business Day shall be applied to the applicable Obligations of such Borrower at the beginning of the next Business Day, during any Cash Dominion Trigger Period. Any resulting credit balance shall not accrue interest in favor of Borrowers and shall be made available to Borrowers as long as no Default or Event of Default exists.

**5.8. Account Stated**. Agent shall maintain, in accordance with its customary practices, loan account(s) evidencing the Debt of Borrowers hereunder. Any failure of Agent to record anything in a loan account, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers to pay any amount owing hereunder. Entries made in a loan account shall constitute presumptive evidence of the information contained therein. If any information contained in a loan account is provided to or inspected by any Person, the information shall be conclusive and binding on such Person for all purposes absent manifest error, except to the extent such Person notifies Agent in writing within 30 days after receipt or inspection that specific information is subject to dispute.

**5.9. Taxes, Payments Free of Taxes; Obligation to Withhold; Tax Payment**.

(a) All payments of Obligations by Obligors shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If Applicable Law (as determined by Agent in its Permitted Discretion) requires the deduction or withholding of any Tax from any such payment by Agent or an Obligor, then Agent or such Obligor shall be entitled to make such deduction or withholding based on information and documentation provided pursuant to **Section 5.10**.

(b) If Agent or any Obligor is required by the Code to withhold or deduct Taxes, including backup withholding and withholding taxes, from any payment, then (i) Agent shall pay the full amount that it determines is to be withheld or deducted to the relevant Governmental Authority pursuant to the Code, and (ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) If Agent or any Obligor is required by any Applicable Law other than the Code to withhold or deduct Taxes from any payment, then (i) Agent or such Obligor, to the extent required by Applicable Law, shall timely pay the full amount to be withheld or deducted to the relevant Governmental Authority, and (ii) to the extent the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Obligor shall be increased as necessary so that the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(i) Payment of Other Taxes. Without limiting the foregoing, Obligors shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at Agent's option, timely reimburse Agent for payment of, any Other Taxes.

(ii) Tax Indemnification.

(A) Each Obligor shall indemnify and hold harmless, on a joint and several basis, each Recipient against any Indemnified Taxes (including those imposed or asserted on or attributable to amounts payable under this Section) payable or paid by a Recipient or required to be withheld or deducted from a payment to a Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Obligor shall indemnify and hold harmless Agent against any amount that a Lender or Issuing Bank fails for any reason to pay indefeasibly to Agent as required pursuant to this Section. Each Obligor shall make payment within ten (10) days after demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to an Obligor by a Lender or Issuing Bank (with a copy to Agent), or by Agent on its own behalf or on behalf of any Recipient, shall be conclusive absent manifest error.

(B) Each Lender and Issuing Bank shall indemnify and hold harmless, on a several basis, (I) Agent against any Indemnified Taxes attributable to such Lender or Issuing Bank (but only to the extent Obligors have not already paid or reimbursed Agent therefor and without limiting Obligors' obligations to do so), (II) Agent and Obligors, as applicable, against any Taxes attributable to such Lender's failure to maintain a Participant register as required hereunder, and (III) Agent and Obligors, as applicable, against any Excluded Taxes attributable to such Lender or Issuing Bank, in each case, that are payable or paid by Agent or an Obligor in connection with any Obligations, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender and Issuing Bank shall make payment within ten (10) days after demand for any amount or liability payable under this Section. A certificate as to the amount of such payment or liability delivered to any Lender or Issuing Bank by Agent shall be conclusive absent manifest error.

(iii) Evidence of Payments. As soon as practicable after payment by an Obligor of any Taxes pursuant to this Section, Borrower Agent shall deliver to Agent the original or a certified copy of a receipt issued by the appropriate Governmental Authority evidencing the payment, a copy of any return required by Applicable Law to report the payment or other evidence of payment reasonably satisfactory to Agent.

(iv) Treatment of Certain Refunds. Unless required by Applicable Law, at no time shall Agent have any obligation to file for or otherwise pursue on behalf of a Lender or Issuing Bank, nor have any obligation to pay to any Lender or Issuing Bank, any refund of Taxes withheld or deducted from funds paid for the account of a Lender or Issuing Bank. If a Recipient determines in its discretion that it has received a refund of Taxes that were indemnified by Obligors or with respect to which an Obligor has paid additional amounts pursuant to this Section, it shall pay the amount of such refund to Obligors (but only to the extent of indemnity payments or additional amounts actually paid by Obligors with respect to the Taxes giving rise to the refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund), provided that Obligors agree, upon request by the Recipient, to repay to the Recipient such amount paid over to Obligors (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if the Recipient is required to repay such refund to the Governmental Authority. Notwithstanding anything herein to the contrary, no Recipient shall be required to pay any amount to Obligors if such payment would place it in a less favorable net after-Tax position than it would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. In no event shall Agent or any Recipient be required to make its tax returns (or any other information relating to its taxes that it deems confidential) available to any Obligor or other Person.

(v) Survival. Each party's obligations under **Sections 5.9** and **5.10** shall survive the resignation or replacement of Agent or any assignment of rights by or replacement of a Lender or Issuing Bank, the termination of the Revolver Commitments, and the repayment, satisfaction, discharge or Full Payment of any Obligations.

**5.10. Lender Tax Information**.

(a) Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments of Obligations shall deliver to Borrower Agent and Agent properly completed and executed documentation reasonably requested by Borrower Agent or Agent as will permit such payments to be made without or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrower Agent or Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by Borrower Agent or Agent to enable them to determine whether such Lender is subject to backup withholding or information reporting requirements. Notwithstanding the foregoing, such documentation (other than documentation described in **Sections 5.10(b)(i)** , **(ii)** and **(iv)**) shall not be required if a Lender reasonably believes delivery of the documentation would subject it to any material unreimbursed cost or expense or would materially prejudice its legal or commercial position.

(b) Documentation. Without limiting the foregoing, if any Borrower is a U.S. Person,

(i) Any Lender that is a U.S. Person shall deliver to Borrower Agent and Agent on or prior to the date on which such Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrower Agent or Agent), executed originals of IRS Form W-9, certifying that such Lender is exempt from U.S. federal backup withholding Tax;

(ii) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower Agent and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request of Borrower Agent or Agent), whichever of the following is applicable:

(A) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party, (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form) establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty, and (y) with respect to other payments under the Loan Documents, IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form) establishing an exemption from or reduction of U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(B) executed originals of IRS Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (I) a certificate in form satisfactory to Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of an Obligor within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code ("U.S. Tax Compliance Certificate"), and (II) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form); or

(D) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), a U.S. Tax Compliance Certificate in form satisfactory to Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more of its direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner;

(iii) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrower Agent and Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender hereunder (and from time to time thereafter upon reasonable request), executed originals of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit Obligors or Agent to determine the withholding or deduction required to be made; and

(iv) if payment of an Obligation to a Lender would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code), such Lender shall deliver to Borrower Agent and Agent, at the time(s) prescribed by law and otherwise upon reasonable request, such documentation prescribed by Applicable Law (including Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be appropriate for Borrowers or Agent to comply with their obligations under FATCA and to determine that such Lender has complied with its obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iv), "FATCA" shall include any amendments made to FATCA after the date hereof.

(c) Redelivery of Documentation. If any form or certification previously delivered by a Lender pursuant to this Section expires or becomes obsolete or inaccurate in any respect, such Lender shall promptly update the form or certification or notify Borrowers and Agent in writing of its inability to do so.

**5.11. Nature and Extent of Each Borrower's Liability**.

(a) Joint and Several Liability of U.S . Borrowers. Each U.S. Borrower agrees that it is jointly and severally liable for, and absolutely and unconditionally guarantees to Agent and U.S. Lenders the prompt payment and performance of, all U.S. Obligations, except its Excluded Swap Obligations. Each U.S. Borrower agrees that its guaranty obligations hereunder constitute a continuing guaranty of payment and not of collection, that such obligations shall not be discharged until Full Payment of the U.S. Obligations, and that such obligations are absolute and unconditional, irrespective of (i) the genuineness, validity, regularity, enforceability, subordination or any future modification of, or change in, any U.S. Obligations or Loan Document, or any other document, instrument or agreement to which any U.S. Borrower is or may become a party or be bound; (ii) the absence of any action to enforce this Agreement (including this Section) or any other Loan Document, or any waiver, consent or indulgence of any kind by Agent or any U.S. Lender with respect thereto; (iii) the existence, value or condition of, or failure to perfect a Lien or to preserve rights against, any security or guaranty for any U.S. Obligations or any action, or the absence of any action, by Agent or any U.S. Lender in respect thereof (including the release of any security or guaranty); (iv) the insolvency of any U.S. Obligor; (v) any election by Agent or any U.S. Lender in an Insolvency Proceeding for the application of Section 1111(b)(2) of the Bankruptcy Code; (vi) any borrowing or grant of a Lien by any other U.S. Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code or otherwise; (vii) the disallowance of any claims of Agent or any U.S. Lender against any U.S. Obligor for the repayment of any U.S. Obligations under Section 502 of the Bankruptcy Code or otherwise; or (viii) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, except Full Payment of the U.S. Obligations.

(b) Joint and Several Liability of Canadian Borrowers. Each Canadian Borrower agrees that it is jointly and severally liable for, and absolutely and unconditionally guarantees to Agent and Canadian Lenders the prompt payment and performance of, all Canadian Obligations, except its Excluded Swap Obligations. Each Canadian Borrower agrees that its guaranty obligations hereunder constitute a continuing guaranty of payment and not of collection, that such obligations shall not be discharged until Full Payment of the Canadian Obligations, and that such obligations are absolute and unconditional, irrespective of (i) the genuineness, validity, regularity, enforceability, subordination or any future modification of, or change in, any Canadian Obligations or Loan Document, or any other document, instrument or agreement to which any Canadian Borrower is or may become a party or be bound; (ii) the absence of any action to enforce this Agreement (including this Section) or any other Loan Document, or any waiver, consent or indulgence of any kind by Agent or any Canadian Lender with respect thereto; (iii) the existence, value or condition of, or failure to perfect a Lien or to preserve rights against, any security or guaranty for any Canadian Obligations or any action, or the absence of any action, by Agent or any Canadian Lender in respect thereof (including the release of any security or guaranty); (iv) the insolvency of any Canadian Obligor; (v) any election by Agent or any Canadian Lender in an Insolvency Proceeding for the application of Section 1111(b)(2) of the Bankruptcy Code or similar provision of other Applicable Law; (vi) any borrowing or grant of a Lien by any other Canadian Borrower, as debtor-in-possession under the BIA, the Companies' Creditors Arrangement Act (Canada), Section 364 of the Bankruptcy Code or otherwise; (vii) the disallowance of any claims of Agent or any Canadian Lender against any Canadian Obligor for the repayment of any Canadian Obligations under the BIA, the Companies' Creditors Arrangement Act (Canada), Section 502 of the Bankruptcy Code or otherwise; or (viii) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, except Full Payment of the Canadian Obligations.

(c) Waivers.

(i) Each Canadian Obligor expressly waives all rights that it may have now or in the future under any statute, at common law, in equity or otherwise, to compel Agent or Canadian Lenders to marshal assets or to proceed against any Canadian Obligor, other Person or security for the payment or performance of any Canadian Obligations before, or as a condition to, proceeding against such Canadian Obligor. Each Canadian Obligor waives all defenses available to a surety, guarantor or accommodation co-obligor other than Full Payment of Canadian Obligations and waives, to the maximum extent permitted by law, any right to revoke any guaranty of Canadian Obligations as long as it is an Canadian Obligor. It is agreed among each Canadian Obligor, Agent and Canadian Lenders that the provisions of this **Section 5.11** are of the essence of the transaction contemplated by the Loan Documents and that, but for such provisions, Agent and Canadian Lenders would decline to make Canadian Revolver Loans and issue Letters of Credit to Canadian Borrowers. Each Canadian Obligor acknowledges that its guaranty pursuant to this Section is necessary to the conduct and promotion of its business, and can be expected to benefit such business.

(ii) Agent and Canadian Lenders may, in their discretion, pursue such rights and remedies as they deem appropriate, including realization upon Canadian Collateral or any Real Estate of Canadian Borrowers by judicial foreclosure or nonjudicial sale or enforcement, without affecting any rights and remedies under this **Section 5.11**. If, in taking any action in connection with the exercise of any rights or remedies, Agent or any Canadian Lender shall forfeit any other rights or remedies, including the right to enter a deficiency judgment against any Canadian Obligor or other Person, whether because of any Applicable Laws pertaining to "election of remedies" or otherwise, each Canadian Obligor consents to such action and waives any claim based upon it, even if the action may result in loss of any rights of subrogation that any Canadian Obligor might otherwise have had. Any election of remedies that results in denial or impairment of the right of Agent or any Canadian Lender to seek a deficiency judgment against any Canadian Obligor shall not impair any other Canadian Obligor's obligation to pay the full amount of the Canadian Obligations. Each Canadian Obligor waives all rights and defenses arising out of an election of remedies, such as nonjudicial foreclosure with respect to any security for Canadian Obligations, even though that election of remedies destroys such Canadian Obligor's rights of subrogation against any other Person. Agent may bid Canadian Obligations, in whole or part, at any foreclosure, trustee or other sale, including any private sale, and the amount of such bid need not be paid by Agent but shall be credited against the Canadian Obligations. The amount of the successful bid at any such sale, whether Agent or any other Person is the successful bidder, shall be conclusively deemed to be the fair market value of the Canadian Collateral, and the difference between such bid amount and the remaining balance of the Canadian Obligations shall be conclusively deemed to be the amount of the Canadian Obligations guaranteed under this **Section 5.11**, notwithstanding that any present or future law or court decision may have the effect of reducing the amount of any deficiency claim to which Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

(iii) Each U.S. Obligor expressly waives all rights that it may have now or in the future under any statute, at common law, in equity or otherwise, to compel Agent or U.S. Lenders to marshal assets or to proceed against any U.S. Obligor, other Person or security for the payment or performance of any U.S. Obligations before, or as a condition to, proceeding against such U.S. Obligor. Each U.S. Obligor waives all defenses available to a surety, guarantor or accommodation co-obligor other than Full Payment of U.S. Obligations and waives, to the maximum extent permitted by law, any right to revoke any guaranty of U.S. Obligations as long as it is a U.S. Obligor. It is agreed among each U.S. Obligor, Agent and U.S. Lenders that the provisions of this **Section 5.11** are of the essence of the transaction contemplated by the Loan Documents and that, but for such provisions, Agent and U.S. Lenders would decline to make U.S. Revolver Loans and issue Letters of Credit at the request of U.S. Borrowers. Each U.S. Obligor acknowledges that its guaranty pursuant to this Section is necessary to the conduct and promotion of its business, and can be expected to benefit such business.

(iv) Agent and U.S. Lenders may, in their discretion, pursue such rights and remedies as they deem appropriate, including realization upon U.S. Collateral or any Real Estate of U.S. Borrowers by judicial foreclosure or nonjudicial sale or enforcement, without affecting any rights and remedies under this **Section 5.11**. If, in taking any action in connection with the exercise of any rights or remedies, Agent or any U.S. Lender shall forfeit any other rights or remedies, including the right to enter a deficiency judgment against any U.S. Obligor or other Person, whether because of any Applicable Laws pertaining to "election of remedies" or otherwise, each U.S. Obligor consents to such action and waives any claim based upon it, even if the action may result in loss of any rights of subrogation that any U.S. Obligor might otherwise have had. Any election of remedies that results in denial or impairment of the right of Agent or any U.S. Lender to seek a deficiency judgment against any U.S. Obligor shall not impair any other U.S. Obligor's obligation to pay the full amount of the U.S. Obligations. Each U.S. Obligor waives all rights and defenses arising out of an election of remedies, such as nonjudicial foreclosure with respect to any security for U.S. Obligations, even though that election of remedies destroys such U.S. Obligor's rights of subrogation against any other Person. Agent may bid U.S. Obligations, in whole or part, at any foreclosure, trustee or other sale, including any private sale, and the amount of such bid need not be paid by Agent but shall be credited against the U.S. Obligations. The amount of the successful bid at any such sale, whether Agent or any other Person is the successful bidder, shall be conclusively deemed to be the fair market value of the U.S. Collateral, and the difference between such bid amount and the remaining balance of the U.S. Obligations shall be conclusively deemed to be the amount of the U.S. Obligations guaranteed under this **Section 5.11**, notwithstanding that any present or future law or court decision may have the effect of reducing the amount of any deficiency claim to which Agent or any U.S. Lender might otherwise be entitled but for such bidding at any such sale.

(d) Extent of Liability; Contribution.

(i) Notwithstanding anything herein to the contrary, each U.S. Obligor's liability under this **Section 5.11** shall not exceed the greater of (A) all amounts for which such Obligor is primarily liable, as described in clause (iii) below, and (B) such Obligor's Allocable Amount.

(ii) If any U.S. Obligor makes a payment under this **Section 5.11** of any Obligations (other than amounts for which such Obligor is primarily liable) (a "Guarantor Payment") that, taking into account all other Guarantor Payments previously or concurrently made by any other Obligor, exceeds the amount that such Obligor would otherwise have paid if each Obligor had paid the aggregate Obligations satisfied by such Guarantor Payments in the same proportion that such Obligor's Allocable Amount bore to the total Allocable Amounts of all Obligors, then such U.S. Obligor shall be entitled to receive contribution and indemnification payments from, and to be reimbursed by, each other Obligor for the amount of such excess, ratably based on their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. The "Allocable Amount" for any Obligor shall be the maximum amount that could then be recovered from such Obligor under this **Section 5.11** without rendering such payment voidable under Section 548 of the Bankruptcy Code or under any applicable state fraudulent transfer or conveyance act, or similar statute or common law.

(iii) **Section 5.11(d)(i)** shall not limit the liability of any Obligor to pay or guarantee Revolver Loans made directly or indirectly to it (including Revolver Loans advanced hereunder to any other Person and then re-loaned or otherwise transferred to, or for the benefit of, such Obligor), LC Obligations relating to Letters of Credit issued to support its business, Secured Bank Product Obligations incurred to support its business, and all accrued interest, fees, expenses and other related Obligations with respect thereto, for which such Obligor shall be primarily liable for all purposes hereunder. Agent and Lenders shall have the right, at any time in their discretion, to condition Revolver Loans and Letters of Credit upon a separate calculation of borrowing availability for each Obligor and to restrict the disbursement and use of Revolver Loans and Letters of Credit to an Obligor based on that calculation.

(iv) Each Obligor that is a Qualified ECP when its guaranty of or grant of Lien as security for a Swap Obligation becomes effective hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide funds or other support to each Specified Obligor with respect to such Swap Obligation as may be needed by such Specified Obligor from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP's obligations and undertakings under this **Section 5.11** voidable under any applicable fraudulent transfer or conveyance act). The obligations and undertakings of each Qualified ECP under this Section shall remain in full force and effect until Full Payment of all Obligations. Each Obligor intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support or other agreement" for the benefit of, each Obligor for all purposes of the Commodity Exchange Act.

(e) Joint Enterprise.

(i) Each Canadian Borrower has requested that Agent and Canadian Lenders make this credit facility available to Canadian Borrowers on a combined basis, in order to finance Canadian Borrowers' business most efficiently and economically. Canadian Borrowers' business is a mutual and collective enterprise, and the successful operation of each Canadian Borrower is dependent upon the successful performance of the integrated group. Canadian Borrowers believe that consolidation of their credit facility will enhance the borrowing power of each Canadian Borrower and ease administration of the facility, all to their mutual advantage. Canadian Borrowers acknowledge that Agent's and Canadian Lenders' willingness to extend credit and to administer the Canadian Collateral on a combined basis hereunder is done solely as an accommodation to Canadian Borrowers and at Canadian Borrowers' request.

(ii) Each U.S. Borrower has requested that Agent and U.S. Lenders make this credit facility available to U.S. Borrowers on a combined basis, in order to finance U.S. Borrowers' business most efficiently and economically. U.S. Borrowers' business is a mutual and collective enterprise, and the successful operation of each U.S. Borrower is dependent upon the successful performance of the integrated group. U.S. Borrowers believe that consolidation of their credit facility will enhance the borrowing power of each U.S. Borrower and ease administration of the facility, all to their mutual advantage. U.S. Borrowers acknowledge that Agent's and U.S. Lenders' willingness to extend credit and to administer the U.S. Collateral on a combined basis hereunder is done solely as an accommodation to U.S. Borrowers and at U.S. Borrowers' request.

(f) Subordination. Each Obligor hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Obligor, howsoever arising, to the Full Payment of its Obligations.

**5.12. Currency Matters**. Dollars are the currency of account and payment for each and every sum at any time due from the Borrowers hereunder; provided that:

(a) except as expressly provided in this Agreement, each repayment of a Revolver Loan or a part thereof shall be made in the currency in which such Revolver Loan is denominated at the time of that repayment;

(b) each payment of interest shall be made in the currency in which such principal or other sum in respect of which such interest is payable, is denominated;

(c) each payment of any Letter of Credit Fees (and any other fees payable by the Borrowers under **Section 3.2**) and all other amounts due hereunder (unless the provisions of the Loan Agreement require otherwise) shall be in Dollars (if the Letter of Credit is denominated in Dollars) or Canadian Dollars (if the Letter of Credit is denominated in Canadian Dollars), as applicable;

(d) each payment in respect of costs, expenses and indemnities shall be made in the currency in which the same were incurred; and

(e) any amount expressed to be payable in Canadian Dollars shall be paid in Canadian Dollars.

No payment to Agent or any Lender (whether under any judgment or court order or otherwise) shall discharge the obligation or liability in respect of which it was made unless and until Agent or such Lender shall have received payment in full in the currency in which such obligation or liability was incurred, and to the extent that the amount of any such payment shall, on actual conversion into such currency, fall short of such obligation or liability actual or contingent expressed in that currency, each Borrower, severally and not jointly, agrees to indemnify and hold harmless Agent or such Lender, as the case may be, with respect to the amount of the shortfall with respect to amounts payable by such Borrower hereunder, with such indemnity surviving the termination of this Agreement and any legal proceeding, judgment or court order pursuant to which the original payment was made which resulted in the shortfall.

**5.13. Collection Allocation Mechanism (CAM) and Lender Loss Sharing Agreement**.

(a) CAM Exchange. On the CAM Exchange Date, (i) each U.S. Lender shall fund its participation in any outstanding U.S. Protective Advances and unreimbursed drawings made under Letters of Credit issued at the request of U.S. Borrowers, (ii) each Canadian Lender shall fund its participation in any outstanding Canadian Protective Advances and unreimbursed drawings made under Letters of Credit issued at the request of Canadian Borrowers, and the Lenders shall purchase at par interests in the Designated Obligations (and shall make payments to Agent for reallocation to other Lenders to the extent necessary to give effect to such purchases) and shall assume the obligations to reimburse LC Issuer for unreimbursed drawings under outstanding Letters of Credit such that, in lieu of the interests of each Lender in the Designated Obligations under the U.S. Revolver Commitments and the Canadian Revolver Commitments, in which it shall participate immediately prior to the CAM Exchange Date, such Lender shall own an interest equal to such Lender's CAM Percentage in each component of the Designated Obligations immediately following the CAM Exchange.

(b) Consents; Delivery of Notes. Each Lender and each Person acquiring a participation from any Lender as contemplated by **Section 13.2** hereby consents and agrees to the CAM Exchange. Each Borrower agrees from time to time to execute and deliver to Lenders all such promissory notes and other instruments and documents as Agent shall reasonably request to evidence and confirm the respective interests and obligations of Lenders after giving effect to the CAM Exchange, and each Lender agrees to surrender any promissory notes originally received by it in connection with its Revolver Loans under this Agreement to Agent against delivery of any promissory notes so executed and delivered; provided that the failure of any Lender to deliver or accept any such promissory note, instrument or document shall not affect the validity or effectiveness of the CAM Exchange.

(c) Distribution of Payments. As a result of the CAM Exchange, from and after the CAM Exchange Date, each payment received by Agent pursuant to any Loan Document in respect of any of the Designated Obligations shall be distributed to Lenders, pro rata in accordance with their respective CAM Percentages.

(d) Post-CAM Exchange Date LC Drawings. In the event that on or after the CAM Exchange Date, the aggregate amount of the Designated Obligations shall change as a result of the making of a disbursement under a Letter of Credit by a LC Issuer that is not reimbursed by a Borrower, then each Lender shall promptly reimburse LC Issuer for its CAM Percentage of such unreimbursed payment.

(e) Withholding and Deductions. Notwithstanding any other provision of this **Section 5.13**, Agent and each Lender agree that if Agent or a Lender is required under Applicable Law to withhold or deduct any taxes or other amounts from payments made by it hereunder or as a result hereof, such Person shall be entitled to withhold or deduct such amounts and pay over such taxes or other amounts to the applicable Governmental Authority imposing such tax without any obligation to indemnify Agent or any Lender with respect to such amounts and without any other obligation of gross up or offset with respect thereto and there shall be no recourse whatsoever by Agent or any Lender subject to such withholding to Agent or any other Lender making such withholding and paying over such amounts, but without diminution of the rights of Agent or such Lender subject to such withholding as against the applicable Borrower or Obligor to the extent (if any) provided in this Agreement and the other Loan Documents. Any amounts so withheld or deducted shall be treated as, for the purpose of this **Section 5.14**, having been paid to Agent or such Lender with respect to which such withholding or deduction was made.

**SECTION 6. CONDITIONS PRECEDENT**

**6.1.** **Conditions Precedent to Initial Revolver Loans**. The obligation of each Lender to fund any requested Revolver Loan, issue any Letter of Credit, or otherwise extend credit to Borrowers hereunder on the Closing Date, shall be subject only to the following conditions precedent, each to the satisfaction of, and as determined by, Agent and Lenders:

(a) This Agreement, the Fee Letter, each Guaranty, the Pledge Agreement, the Assumption Agreement, the initial Borrowing Base Report, the Notes, the IP Security Agreements, the Insurance Assignment, the Intercreditor Agreement and a Notice of Borrowing shall have been duly executed and delivered to Agent by each of the signatories thereto.

(b) Agent shall have received acknowledgments of all filings or recordations, or shall have made all such filings or recordations, necessary to perfect its Liens on the Collateral, as well as UCC, PPSA and Lien searches and other evidence reasonably satisfactory to Agent that such Liens are the only Liens upon the Collateral, except Permitted Liens.

(c) Agent shall have received duly executed agreements in its customary form establishing each Dominion Account and related lockbox.

(d) Immediately before and after giving effect to the Transactions, the representations and warranties set forth herein and the other Loan Documents shall be true and correct in all respects on and as of the Closing Date.

(e) Immediately before and after giving effect to the Transactions, the representations and warranties set forth herein and in the other Loan Documents shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the initial Revolver Loans hereunder and the consummation of the other Transactions on, the Closing Date.

(f) Agent shall have received certificates, in form and substance satisfactory to it, from a knowledgeable Senior Officer of Borrower Agent certifying that, after giving effect to the initial Revolver Loans, the transactions hereunder and the other Transactions, each Obligor has complied with all agreements and conditions to be satisfied by it under this **Section 6.1** (including express certifications with respect to **clauses (d)**, **(e)**, **(m)**, **(o)** and **(p)**).

(g) Agent shall have received a certificate duly executed by a Senior Officer of Borrower Agent, certifying as to the solvency on the Closing Date of Holdings and its Subsidiaries substantially in the form of **Exhibit H** attached hereto

(h) Agent shall have received a certificate of a duly authorized officer of each Obligor, certifying (i) that attached copies of such Obligor's Organic Documents are true and complete, and in full force and effect, without amendment except as shown; (ii) that an attached copy of resolutions authorizing execution and delivery of the Loan Documents is true and complete, and that such resolutions are in full force and effect, were duly adopted, have not been amended, modified or revoked, and constitute all resolutions adopted with respect to this credit facility; (iii) to the title, name and signature of each Person authorized to sign the Loan Documents; and (iv) that attached copies of such Obligor's certificate(s) of good standing required be delivered pursuant to **clause (k)** below are true and complete, and in full force and effect. Agent may conclusively rely on this certificate until it is otherwise notified by the applicable Obligor in writing.

(i) Agent shall have received a favorable legal opinion of Perkins Coie LLP, special counsel to Obligors and DLA Piper, special counsel to Canadian Obligors, in each case, addressed to Agent and each of the Lenders, acceptable to Agent in its Permitted Discretion, as to such matters as are reasonably required by Agent with respect to Obligors and this Agreement, each of the Security Documents executed on the Closing Date and the other Loan Documents and covering such other matters relating to the Loan Documents as Agent shall reasonably request.

(j) Agent shall have received copies of the charter documents of each U.S. Obligor, certified by the Secretary of State or other appropriate official of such U.S. Obligor's jurisdiction of organization. Agent shall have received good standing certificates for each Obligor, issued by the Secretary of State or other appropriate official (as of a recent date) of such Obligor's jurisdiction of organization and, with respect to Canadian Obligors, each jurisdiction where such Obligor's conduct of business or ownership of Property necessitates qualification.

(k) Agent shall have received pdfs of the following that shall have been delivered to the Term Loan Agent: (i) original stock certificates or other certificates evidencing the Equity Interests pledged pursuant to the Security Documents (as defined in the Term Loan Documents), together with an undated stock (or equivalent) power for each such certificate duly executed in blank by the registered owner thereof and (ii) each original promissory note pledged pursuant to the Security Documents (as defined in the Term Loan Documents), if any, together with an undated endorsement for each such promissory note duly executed in blank by the holder thereof.

(l) Agent shall have received (i) an ACORD Evidence of Insurance Certificate naming Agent as lender's loss payee and providing at least 30 days' prior written notice of cancellation of such policies, and (ii) endorsements naming Agent as lender's loss payee and providing at least 30 days' prior written notice of cancellation of such policies, all in compliance with the Loan Documents, in each case, except pursuant to policies relating to kidnap, ransom and terrorism.

(m) Since December 31, 2016, there shall not have occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

(n) Borrowers shall have paid all fees and expenses to be paid to Agent and Lenders on the Closing Date pursuant to the terms hereof and the other Loan Documents.

(o) Agent shall have received a Borrowing Base Report as of September 30, 2017. Upon giving effect to the initial funding of Revolver Loans and issuance of Letters of Credit (excluding the Existing Letter of Credit issued on the Initial Closing Date naming Wells Fargo Bank, N.A. as beneficiary), the consummation of the Asset Acquisition, the payment by Borrowers of all fees and expenses incurred in connection herewith and in connection with the Term Loan Facility and the other Transactions as well as any payables stretched beyond their customary payment practices, Global Availability (plus the cash purchase price adjustment received by Borrowers in connection with the Existing Acquisition in the amount of $2,500,000) is at least equal to 15% of the Revolver Commitment for each of the preceding 30 days and as of the date of the Asset Acquisition, based on the U.S. Accounts Formula Amount, the U.S. Inventory Formula Amount, the U.S. FILO Availability Amount, the Canadian Accounts Formula Amount and the Canadian Inventory Formula Amount without giving any effect to the limitation of the Revolver Commitments.

(p) Agent shall have received duly executed Purchase Agreements, including, without limitation, any escrow accounts or representation and warranty insurance entered into in connection therewith, together with a certificate of a Senior Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof.

(q) The Asset Acquisition shall have been, or substantially concurrently with the initial borrowing under this Agreement and shall be, consummated in accordance with the Purchase Agreements, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Agent.

(r) Amendments to the Term Loan Documents have been executed by the parties thereto and delivered to Agent together with a certificate of a Senior Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof.

**6.2.** **Conditions Precedent to All Credit Extensions** . Agent, Issuing Bank and Lenders shall in no event be required to make any credit extension hereunder (including funding any Revolver Loan, arranging any Letter of Credit, or granting any other accommodation to or for the benefit of any Borrower) after the initial funding of the Revolver Loans on the Closing Date (which such Revolver Loans shall be subject to **Section 6.1**), if the following conditions are not satisfied on such date and upon giving effect thereto:

(a) No Default or Event of Default shall exist at the time of, or result from, such funding, issuance or grant;

(b) The representations and warranties of each Obligor in the Loan Documents shall be true and correct in all material respects (without duplication of any materiality provisions therein) on the date of, and upon giving effect to, such funding, issuance or grant (except for representations and warranties that expressly relate to an earlier date, which shall be true and correct in all material respects on such earlier date (without duplication of any materiality provisions therein)); and

(c) All conditions precedent in any Loan Document are satisfied;

(d) No event has occurred or circumstance exists that has or could reasonably be expected to have a Material Adverse Effect; and

(e) With respect to a Letter of Credit issuance, all LC Conditions are satisfied.

Each request (or deemed request) by a Borrower for any funding of a Revolver Loan, issuance of a Letter of Credit or grant of an accommodation shall constitute a representation by Borrowers that the foregoing conditions are satisfied on the date of such request and on the date of such funding, issuance, or grant. As an additional condition to a credit extension, Agent may request any other information, certification, document, instrument or agreement as it deems appropriate.

**6.3. Post-Closing Date Requirements.**

(a) Within 30 days of the Closing Date, Obligors shall deliver to Agent a Lien Waiver with respect to each of Canadian Obligor's leased Real Estate locations or a Rent and Charges Reserve shall be established.

(b) Within 30 days of the Closing Date, Sunblaster Canada shall cause:

(i) the PPSA registration in British Columbia, with base registration number 390074J, registered on July 5, 2016, in favour of Royal Bank of Canada to be discharged;

(ii) the PPSA registration in British Columbia, with base registration number 390075J, registered on July 5, 2016, in favour of Royal Bank of Canada to be amended so as to limit the collateral description therein to moneys or amounts that may from time to time be on deposit in the name of Sunblaster Canada with, or owed to Sunblaster Canada by Royal Bank of Canada, in Royal Bank of Canada account number 02400 100-953-9; and

(iii) the PPSA registration in British Columbia, with base registration number 559601J, registered on September 26, 2016, in favour of Royal Bank of Canada to be amended so as to limit the collateral description therein to moneys or amounts that may from time to time be on deposit in the name of Sunblaster Canada with, or owed to Sunblaster Canada by Royal Bank of Canada, in Royal Bank of Canada account number 02400 400-371-1.

**SECTION 7. COLLATERAL**

**7.1.** **Grant of Security Interest**. Subject to **Section 7.8**, to secure the prompt payment and performance of its Obligations, each Canadian Obligor hereby grants to Agent, for the benefit of Canadian Secured Parties, a continuing security interest in and Lien upon all personal Property of such Canadian Obligor, including all of the following Property, whether now owned or hereafter acquired, and wherever located:

(a) all Accounts;

(b) all Chattel Paper (including all tangible chattel paper and electronic chattel paper);

(c) all Deposit Accounts;

(d) all Documents;

(e) all General Intangibles, including Intellectual Property and Domain Names;

(f) all Goods, including Inventory, Equipment and fixtures;

(g) all Instruments;

(h) all Investment Property;

(i) all Contracts, lease agreements for real or personal property, licenses, permits and operating rights;

(j) all Negotiable Collateral;

(k) all monies, whether or not in the possession or under the control of Agent, a Lender, or a bailee or Affiliate of Agent or a Lender, including any Cash Collateral;

(l) all accessions to, substitutions for, and all replacements, products, and cash and non-cash proceeds of the foregoing, including proceeds of and unearned premiums with respect to insurance policies, and claims against any Person for loss, damage or destruction of any Canadian Collateral;

(m) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and computer records) pertaining to the foregoing; and

(n) all proceeds and products, whether tangible or intangible, of any of the foregoing, and all proceeds of any loss of, damage to or destruction of the above, whether insured or not insured, all other proceeds of any sale, lease or other disposition of any Property or interest therein referred to above, together with all proceeds of any policies of insurance covering any or all of the above, the proceeds of commercial tort claims covering any or all of the foregoing, the proceeds of any award in condemnation or expropriation with respect to any of the Property of Canadian Obligors, any rebates or refunds, whether for taxes or otherwise, and together with all proceeds of any such proceeds, and to the extent not otherwise included, any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Canadian Collateral.

**7.2.** **Grant of Security Interest**. Subject to **Section 7.8**, to secure the prompt payment and performance of its Obligations, each U.S. Obligor hereby grants to Agent, for the benefit of U.S. Secured Parties, a continuing security interest in and Lien upon all personal Property of such U.S. Obligor (having the Lien priority set forth in the Intercreditor Agreement), including all of the following Property, whether now owned or hereafter acquired, and wherever located:

(a) all Accounts;

(b) all Chattel Paper (including all tangible chattel paper and electronic chattel paper);

(c) all Commercial Tort Claims, including those shown on **Schedule 9.1.16**;

(d) all Deposit Accounts;

(e) all Documents;

(f) all General Intangibles, including Intellectual Property and Domain Names;

(g) all Goods, including Inventory, Equipment and fixtures;

(h) all Instruments;

(i) all Investment Property;

(j) all Letter-of-Credit Rights;

(k) all Supporting Obligations;

(l) all Contracts, lease agreements for real or personal property, licenses, permits and operating rights;

(m) all Negotiable Collateral;

(n) all monies, whether or not in the possession or under the control of Agent, a Lender, or a bailee or Affiliate of Agent or a Lender, including any Cash Collateral;

(o) all accessions to, substitutions for, and all replacements, products, and cash and non-cash proceeds of the foregoing, including proceeds of and unearned premiums with respect to insurance policies, and claims against any Person for loss, damage or destruction of any U.S. Collateral;

(p) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and computer records) pertaining to the foregoing; and

(q) all proceeds and products, whether tangible or intangible, of any of the foregoing, and all proceeds of any loss of, damage to or destruction of the above, whether insured or not insured, all other proceeds of any sale, lease or other disposition of any Property or interest therein referred to above, together with all proceeds of any policies of insurance covering any or all of the above, the proceeds of commercial tort claims covering any or all of the foregoing, the proceeds of any award in condemnation with respect to any of the Property of U.S. Obligors, any rebates or refunds, whether for taxes or otherwise, and together with all proceeds of any such proceeds, and to the extent not otherwise included, any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing U.S. Collateral.

**7.3. Lien on Deposit Accounts; Cash Collateral.**

(a) Deposit Accounts. To further secure the prompt payment and performance of its applicable Obligations, each Obligor hereby grants to Agent a continuing security interest in and Lien upon all amounts credited to any Deposit Account of such Obligor not constituting an Excluded Account, including sums in any blocked, lockbox, sweep or collection account. Each Obligor hereby authorizes and directs each bank or other depository to deliver to Agent, upon request, all balances in any Deposit Account not constituting an Excluded Account maintained for such Obligor, without inquiry into the authority or right of Agent to make such request.

(b) Cash Collateral. Cash Collateral may be invested, at Agent's discretion (with the consent of Obligors, provided no Event of Default exists), but Agent shall have no duty to do so, regardless of any agreement or course of dealing with any Obligor, and shall have no responsibility for any investment or loss. As security for its applicable Obligations, each Obligor hereby grants to Agent a security interest in and Lien upon all Cash Collateral delivered hereunder from time to time and all proceeds thereof, whether held in a Cash Collateral Account or otherwise. Agent may apply Cash Collateral to payment of such Obligations as they become due, in such order as Agent may elect. Each Cash Collateral Account and all Cash Collateral shall be under the sole dominion and control of Agent, and no Obligor or other Person shall have any right to any Cash Collateral until Full Payment of the Obligations.

**7.4. Real Estate Collateral**.

(a) Lien on Real Estate. If any Obligor acquires owned Real Estate after the Closing Date with a value in excess of $1,000,000, Obligors shall, upon the written request of Agent (in its sole discretion), within 30 days of such request, execute, deliver and record a Mortgage sufficient to create a second priority Lien (subject only to first priority Lien of Term Loan Agent for the Term Loan Facility) in favor of Agent on such Real Estate, and shall deliver all Related Real Estate Documents. The Mortgages shall be duly recorded, at Obligors' expense, in each office where such recording is required to constitute a fully perfected Lien on the Real Estate covered thereby.

(b) Flood-Related Matters. Notwithstanding the foregoing, the Agent shall not enter into any Mortgage in respect of any real property acquired by any Borrower or any other Obligor after the Closing Date until (1) the date that occurs 45 days after the Agent has delivered to the Lenders (which may be delivered electronically) the following documents in respect of such real property: (i) a completed flood hazard determination from a third party vendor; (ii) if such real property is located in a "special flood hazard area", (A) a notification to the Borrower Agent (or applicable Obligor) of that fact and (if applicable) notification to the Borrower Agent (or applicable Obligor) that flood insurance coverage is not available and (B) evidence of the receipt by the Borrower Agent (or applicable Obligor) of such notice; and (iii) if such notice is required to be provided to the Borrower Agent (or applicable Obligor) and flood insurance is available in the community in which such real property is located, evidence of required flood insurance and (2) the Agent shall have received written confirmation from the Lenders that flood insurance due diligence and flood insurance compliance have been completed by Lenders (such written confirmation not to be unreasonably conditioned, withheld or delayed).

(c) MIRE Events. If there are any Mortgaged Properties, any increase, extension or renewal of any of the Revolver Loan (including the provision of any other incremental credit facilities hereunder, but excluding (i) any continuation or conversion of borrowings, (ii) the making of any Revolver Loan or (iii) the issuance, renewal or extension of Letters of Credit) shall be subject to (and conditioned upon): (1) the prior delivery of all flood hazard determination certifications, acknowledgements and evidence of flood insurance and other flood-related documentation with respect to such Mortgaged Properties as required by Flood Insurance Laws and as otherwise reasonably required by the Agent and (2) the Agent shall have received written confirmation from the Lenders, flood insurance due diligence and flood insurance compliance has been completed by the Lenders (such written confirmation not to be unreasonably withheld, conditioned or delayed).

**7.5. Other Collateral**.

(a) Commercial Tort Claims. U.S. Obligors shall promptly notify Agent in writing if any such Obligor has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000), shall promptly amend **Schedule 9.1.16** to include such claim, and shall take such actions as Agent deems appropriate to subject such claim to a duly perfected, first priority Lien in favor of Agent.

(b) Certain After-Acquired Collateral . Obligors shall promptly notify Agent in writing if, after the Closing Date, any Obligor obtains any interest in any Collateral consisting of Deposit Accounts, Chattel Paper, Documents, Instruments, Intellectual Property, Investment Property or Letter-of-Credit Rights and, upon Agent's request, shall promptly take such actions as Agent deems appropriate to effect Agent's duly perfected, first priority Lien upon such Collateral, including obtaining any appropriate possession, control agreement or Lien Waiver. If any Collateral is in the possession of a third party, at Agent's request, Obligors shall obtain an acknowledgment that such third party holds the Collateral for the benefit of Agent.

(c) Equity Interests. Each Obligor shall, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that each of its Subsidiaries is a wholly-owned Subsidiary and that Agent shall have, (i) for the benefit of Agent and U.S. Lenders, a first priority Lien (subject to Permitted Liens) on all Equity Interests of each Subsidiary of a U.S. Obligor, provided that neither U.S. Obligor nor any Foreign Subsidiary shall be required to pledge more than 65% of the voting Equity Interests of any such Foreign Subsidiary as Collateral for the U.S. Obligations and (ii) for the benefit of Agent and Canadian Lenders, a first priority Lien (subject to Permitted Liens) on all Equity Interests of each Subsidiary of a Canadian Obligor and Guarantor of the Canadian Obligations. In the event that any additional Equity Interests shall be issued by any Subsidiary, the applicable Obligor shall or shall cause each of its Subsidiaries to, concurrently with such issuance, deliver to Agent to the extent required by the applicable Loan Documents the certificates evidencing such Equity Interests, accompanied by undated powers executed in blank and to take such other action as Agent shall reasonably request to perfect the security interest created therein pursuant to such Loan Documents.

**7.6.** **Limitations**. The Liens on Collateral granted hereunder are given as security only and shall not subject Agent or any Lender to, or in any way modify, any obligation or liability of Obligors relating to any Collateral. In no event shall the grant of any Lien under any Loan Document secure an Excluded Swap Obligation of the granting Obligor.

**7.7.** **Further Assurances**. All Liens granted to Agent under the Loan Documents are for the benefit of Secured Parties. Promptly upon request, Obligors shall deliver such instruments and agreements, and shall take such actions, as Agent deems appropriate under Applicable Law to evidence or perfect its Liens on any Collateral, or otherwise to give effect to the intent of this Agreement. Each Obligor authorizes Agent to file any financing statement that describes the Collateral as "all assets" or "all personal property" of such Obligor, or words to similar effect, and ratifies any action taken by Agent before the Closing Date to effect or perfect its Liens on any Collateral.

**7.8.** **Excluded Property**. Notwithstanding anything in **Section 7.1** or **Section 7.2** or any other provision of this Agreement or any other Loan Document, the "Collateral" shall exclude any Excluded Property; provided, if and when any Property shall cease to be Excluded Property, such Property shall be deemed, at all times from and after such date and so long as such Property of the type set forth in **clauses (a)** through **(q)** of **Section 7.1** or **clauses (a)** through **(q)** of **Section 7.2** does not at any time thereafter become an Excluded Property, to constitute Collateral. For the avoidance of doubt, Excluded Property shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

**7.9.** **Intercreditor Agreement**. The security interests and Liens granted by the U.S. Obligors pursuant to this **Section 7** are subject to the Intercreditor Agreement.

**7.10.** **ULC Limitation**. Notwithstanding any provisions to the contrary contained in this Agreement or any other Loan Document, as regards each applicable Obligor who is a registered and beneficial owner of Pledged ULC Shares, such Obligor owns and will remain so until such time as such Pledged ULC Shares are fully and effectively transferred into the name of Agent or any other person on the books and records of such ULC. Nothing in this Agreement or any other Loan Document is intended to or shall constitute Agent or any person other than an Obligor to be a member or shareholder of any ULC until such time as written notice is given to the applicable Obligor and all further steps are taken so as to register Agent or other person as holder of the Pledged ULC Shares. The granting of the pledge and security interest pursuant to Sections 7.1 and 7.2 or in any other Loan Document does not make Agent a successor to any Obligor as a member or shareholder of any ULC, and neither Agent nor any of its respective successors or assigns hereunder shall be deemed to become a member or shareholder of any ULC by accepting this Agreement or any other Loan Document or exercising any right granted herein unless and until such time, if any, when Agent or any successor or assign expressly becomes a registered member or shareholder of any ULC. Each applicable Obligor shall be entitled to receive and retain for its own account any dividends or other distributions if any, in respect of the Collateral, and shall have the right to vote such Pledged ULC Shares and to control the direction, management and policies of the ULC issuing such Pledged ULC Shares to the same extent as such Obligor would if such Pledged ULC Shares were not pledged to Agent or to any other person pursuant hereto. To the extent any provision herein or in any other Loan Document would have the effect of constituting Agent to be a member or shareholder of any ULC prior to such time, such provision shall be severed herefrom and therefrom and ineffective with respect to the relevant Pledged ULC Shares without otherwise invalidating or rendering unenforceable this Agreement or any other Loan Document or invalidating or rendering unenforceable such provision insofar as it relates to Collateral other than Pledged ULC Shares. Notwithstanding anything herein or in any other Loan Document to the contrary (except to the extent, if any, that Agent or any of its successors or assigns hereafter expressly becomes a registered member or shareholder of any ULC), neither Agent nor any of its respective successors or assigns shall be deemed to have assumed or otherwise become liable for any debts or obligations of any ULC. Except upon the exercise by Agent or other persons of rights to sell or otherwise dispose of Pledged ULC Shares or other remedies following the occurrence and during the continuance of an Event of Default, each applicable Obligor shall not cause or permit, or enable any ULC in which it holds Pledged ULC Shares to cause or permit, Agent to: (a) be registered as member or shareholder of such ULC; (b) have any notation entered in its favor in the share register of such ULC; (c) be held out as member or shareholder of such ULC; (d) receive, directly or indirectly, any dividends, property or other distributions from such ULC by reason of Agent or other person holding a security interest in the Pledged ULC Shares; or (e) act as a member or shareholder of such ULC, or exercise any rights of a member or shareholder of such ULC, including the right to attend a meeting of such ULC or vote the shares of such ULC.

**SECTION 8. COLLATERAL ADMINISTRATION**

**8.1.** **Borrowing Base Reports**

(a) **Canadian Borrowers**. By the 15th day of each calendar month, Canadian Borrowers shall deliver to Agent (and Agent shall promptly deliver same to Canadian Lenders) a Canadian Borrowing Base Report as of the close of business of the previous calendar month, and at such other times as Agent may request in its Permitted Discretion; provided, that, notwithstanding the foregoing, during any Reporting Trigger Period, the Canadian Borrowers shall deliver a Canadian Borrowing Base Report prepared as of the close of business each previous Friday, not later than the following Tuesday after each such Friday. All information (including calculation of Canadian Availability and Global Availability) in a Canadian Borrowing Base Report shall be certified by Canadian Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (i) to reflect Agent's reasonable estimate of declines in value of Canadian Collateral, due to collections received in the Dominion Account or otherwise; (ii) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting Canadian Collateral; and (iii) to the extent any information or calculation does not comply with this Agreement.

(b) **U.S. Borrowers**. By the 15th day of each calendar month, U.S. Borrowers shall deliver to Agent (and Agent shall promptly deliver same to U.S. Lenders) a U.S. Borrowing Base Report as of the close of business of the previous calendar month, and at such other times as Agent may request in its Permitted Discretion; provided, that, notwithstanding the foregoing, during any Reporting Trigger Period, the U.S. Borrowers shall deliver a U.S. Borrowing Base Report prepared as of the close of business each previous Friday, not later than the following Tuesday after each such Friday. All information (including calculation of U.S. Availability and Global Availability) in a U.S. Borrowing Base Report shall be certified by U.S. Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (i) to reflect Agent's reasonable estimate of declines in value of ABL Priority Collateral, due to collections received in the Dominion Account or otherwise; (ii) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting ABL Priority Collateral; and (iii) to the extent any information or calculation does not comply with this Agreement.

**8.2. Accounts**.

(a) Records and Schedules of Accounts. Each Obligor shall keep accurate and complete records of its Accounts, including all payments and collections thereon, and shall submit to Agent sales, collection, reconciliation and other reports in form reasonably satisfactory to Agent, on such periodic basis as Agent may request, but not more frequently than once per calendar month or more frequently during the continuation of an Event of Default or a Reporting Trigger Period. Each Obligor shall also provide to Agent, on or before the 15th day of each calendar month, a detailed aged trial balance of all Accounts as of the end of the preceding calendar month, specifying each Account's Account Debtor name and address, amount, invoice date and due date, showing any discount, allowance, credit, authorized return or dispute, and including such proof of delivery, copies of invoices and invoice registers, copies of related documents, repayment histories, status reports and other information as Agent may request. If Accounts in an aggregate face amount of $500,000 or more cease to be Eligible Accounts, Obligors shall notify Agent of such occurrence promptly (and in any event within one Business Day) after any Obligor has knowledge thereof.

(b) Taxes. If an Account of any Obligor includes a charge for any Taxes, Agent is authorized, in its discretion, to pay the amount thereof to the proper taxing authority for the account of such Obligor and to charge Obligors therefor; provided, however, that neither Agent nor Lenders shall be liable for any Taxes that may be due from Obligors or with respect to any Collateral.

(c) Account Verification. Whether or not a Default or Event of Default exists, Agent shall have the right at any time, in the name of Agent, any designee of Agent or any Obligor, to verify the validity, amount or any other matter relating to any Accounts of Obligors by mail, telephone or otherwise. Obligors shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

(d) Maintenance of Dominion Account. Each Obligor shall maintain (i) all of its Deposit Accounts, including for the maintenance of operating, lockbox administration, funds transfer, information reporting services and other treasury management services, (other than Excluded Accounts) with Bank of America and its branches; provided, that the Canadian Obligors shall have 120 days after the Closing Date (or such longer period as Agent may determine in its sole discretion) to migrate its respective Deposit Accounts (other than Excluded Accounts) listed on **Schedule 8.5** to Bank of America-Canada Branch; and (ii) each of its Dominion Accounts with Bank of America pursuant to lockbox or other arrangements reasonably acceptable to Agent. Each U.S. Obligor, and within 30 days after the Closing Date, each Canadian Obligor, shall obtain an agreement (in form and substance reasonably satisfactory to Agent) from each lockbox servicer and each Deposit Account bank, establishing Agent's control over and Lien on the lockbox or Deposit Account, which may be exercised by Agent during any Cash Dominion Trigger Period, requiring immediate deposit of all remittances received in the lockbox or Deposit Account to a Dominion Account, and waiving offset rights of such servicer or bank, except for customary administrative charges. Agent and Lenders assume no responsibility to Obligors for any lockbox arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to any Payment Items accepted by any bank.

(e) Proceeds of Collateral. Each Obligor shall request in writing and otherwise take all necessary steps to ensure that all payments on Accounts or otherwise relating to ABL Priority Collateral are made directly to a Dominion Account (or a lockbox relating to a Dominion Account). If any Obligor or Subsidiary receives cash or Payment Items with respect to any ABL Priority Collateral, it shall hold same in trust for Agent and promptly (not later than the next Business Day) deposit same into a Dominion Account.

**8.3. Inventory**.

(a) Records and Reports of Inventory. Each Obligor shall keep accurate and complete records of its Inventory, including costs and daily withdrawals and additions, and shall submit to Agent inventory and reconciliation reports in form satisfactory to Agent, on or before the 15th day of each calendar month or more frequently, as requested by Agent, during the continuation of an Event of Default or a Reporting Trigger Period. Each Obligor shall conduct a physical inventory at least once per calendar year (and on a more frequent basis if requested by Agent when an Event of Default exists) and periodic cycle counts consistent with historical practices, and shall provide to Agent a report based on each such inventory and count promptly upon completion thereof, together with such supporting information as Agent may request. Agent may participate in and observe each physical count.

(b) Returns of Inventory. No Obligor shall return any Inventory to a supplier, vendor or other Person, whether for cash, credit or otherwise, unless (a) such return is in the Ordinary Course of Business; (b) no Default, Event of Default, Canadian Overadvance, U.S. Overadvance or Overadvance exists or would result therefrom; (c) Agent is promptly notified if the aggregate Value of all Inventory returned in any calendar month exceeds $500,000; and (d) any payment received by an Obligor for a return is promptly remitted to Agent for application to the Obligations.

(c) Acquisition, Sale and Maintenance . No Obligor shall acquire or accept any Inventory on consignment or approval, and shall take all steps to assure that all Inventory is produced in accordance with Applicable Law, including the FLSA. No Obligor shall sell any Inventory on consignment or approval or any other basis under which the customer may return or require an Obligor to repurchase such Inventory. Obligors shall use, store and maintain all Inventory with reasonable care and caution, in accordance with applicable standards of any insurance and in conformity with all Applicable Law, and shall make current rent payments (within applicable grace periods provided for in leases) at all locations where any Collateral is located.

**8.4. Equipment**.

(a) Records and Schedules of Equipment. Each Obligor shall keep accurate and complete records of its Equipment, including kind, quality, quantity, cost, acquisitions and dispositions thereof, and shall submit to Agent, on such periodic basis as Agent may request, but not more frequently than once per calendar month or more frequently during the continuation of an Event of Default or a Reporting Trigger Period, a current schedule thereof, in form satisfactory to Agent in its Permitted Discretion. Promptly upon request, Obligors shall deliver to Agent evidence of their ownership or interests in any material Equipment.

(b) Dispositions of Equipment. No Obligor shall sell, lease or otherwise dispose of any Equipment, without the prior written consent of Agent, other than a Permitted Asset Disposition.

(c) Condition of Equipment. The Equipment is in good operating condition and repair, and all necessary replacements and repairs have been made so that the value and operating efficiency of the Equipment is preserved at all times, reasonable wear and tear excepted. Each Obligor shall ensure that the Equipment is mechanically and structurally sound, and capable of performing the functions for which it was designed, in accordance with manufacturer specifications. No Obligor shall permit any Equipment to become affixed to real Property unless any landlord or mortgagee delivers a Lien Waiver.

**8.5. Deposit Accounts**. Set forth on Schedule 8.5 are all Deposit Accounts maintained by Obligors as of the Closing Date, including all Dominion Accounts and Excluded Accounts. Each Obligor shall provide Agent with prompt written notice upon establishing any Deposit Account (other than Excluded Accounts and Deposit Accounts previously set forth on Schedule 8.5) and shall take all actions necessary to establish Agent's control of each such Deposit Account (other than an Excluded Account). One or more Obligors shall be the sole account holders of each Deposit Account and shall not allow any other Person (other than Agent) to have control over a Deposit Account or any Property deposited therein. Each Obligor shall promptly notify Agent of any opening or closing of a Deposit Account and, with the consent of Agent, will amend Schedule 8.5 to reflect same.

**8.6. General Provisions**.

(a) Location of Collateral. All tangible items of Collateral, other than Inventory in transit, shall at all times be kept by Obligors at the business locations set forth in **Schedule 8.6.1**, except that Obligors may (i) make sales or other dispositions of Collateral in accordance with **Section 10.2(f)**; (ii) move Collateral to another location set forth on **Schedule 8.6.1**, (iii) move Collateral to another location in the United States or Canada, upon 30 Business Days' prior written notice to Agent, (iv) transport Collateral to trade shows or other industry expositions for marketing purposes in the Ordinary Course of Business, (v) send Equipment to repair facilities in the Ordinary Course of Business, and (vi) allow employees to utilize Collateral at remote locations in the Ordinary Course of Business.

(b) Insurance of Collateral; Condemnation Proceeds. Subject to the Intercreditor Agreement:

(i) Each Obligor shall maintain insurance with respect to the Collateral, covering casualty, hazard, theft, malicious mischief, flood and other risks, in amounts, with endorsements and with insurers (with a Best rating of at least A+, unless otherwise approved by Agent in its discretion) reasonably satisfactory to Agent; provided, that if Real Estate secures any Obligations, flood hazard diligence, documentation and insurance shall comply with the Flood Disaster Protection Act or otherwise shall be satisfactory to all Lenders. All proceeds under each policy shall be payable to Agent. From time to time upon request, Obligors shall deliver to Agent certified copies of its insurance policies and updated flood plain searches. Unless Agent shall agree otherwise, each policy shall include endorsements in form and substance reasonably satisfactory to it (A) showing Agent as loss payee (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies); (B) requiring 30 days' prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever; and (C) specifying that the interest of Agent shall not be impaired or invalidated by any act or neglect of any Obligor or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Obligor fails to provide and pay for any insurance, Agent may, at its option, but shall not be required to, procure the insurance and charge Obligors therefor. Each Obligor agrees to deliver to Agent, promptly as rendered, copies of all reports made to insurance companies (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies). While no Event of Default exists, Obligors may settle, adjust or compromise any insurance claim, as long as the proceeds (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies) are delivered to Agent, subject to Obligor reinvestment rights in accordance with this Agreement. If an Event of Default exists, only Agent shall be authorized to settle, adjust and compromise such claims (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies).

(ii) Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance or kidnap, ransom and terrorism policies) and any awards arising from condemnation or expropriation of any Collateral shall be paid to Agent upon receipt thereof; provided that, so long as no Event of Default exists, Borrowers shall have the right to elect to reinvest such proceeds in replacement assets within one hundred eighty (180) days following the occurrence of the claim or casualty event. Subject to the Intercreditor Agreement, any such proceeds or awards that relate to any Collateral and not so reinvested shall be applied to payment of the Revolver Loans, and then to other Obligations.

(iii) [Reserved].

(iv) If at any time the improvements on a Mortgaged Property are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" with respect to which flood insurance has been made available under Flood Insurance Laws, then the applicable Obligor (A) has obtained and will maintain, with financially sound and reputable insurance companies (except to the extent that any insurance company insuring the Mortgaged Property of such Obligor ceases to be financially sound and reputable after the Closing Date, in which case, Holdings or such Obligor shall promptly replace such insurance company with a financially sound and reputable insurance company), such flood insurance in such reasonable total amount as the Agent and the Lenders may from time to time reasonably require, and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (B) promptly upon request of the Agent or any Lender, will deliver to the Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

(c) Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes payable with respect to any Collateral (including any sale thereof), and all other payments required to be made by Agent to any Person to realize upon any Collateral, shall be borne and paid by Obligors. Agent shall not be liable or responsible in any way for the safekeeping of any Collateral, for any loss or damage thereto (except for reasonable care in its custody while Collateral is in Agent's actual possession), for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency or other Person whatsoever, but the same shall be at Obligors' sole risk.

(d) Defense of Title. Each Obligor shall defend its title to Collateral and Agent's Liens thereon against all Persons, claims and demands, except Permitted Liens.

**8.7. Power of Attorney**. Each Obligor hereby irrevocably constitutes and appoints Agent (and all Persons designated by Agent) as such Obligor's true and lawful attorney (and agent-in-fact) for the purposes provided in this Section. Agent, or Agent's designee, may, without notice and in either its or an Obligor's name, but at the cost and expense of Obligors:

(a) Endorse an Obligor's name on any Payment Item or other proceeds of Collateral (including proceeds of insurance) that come into Agent's possession or control; and

(b) During an Event of Default, (i) notify any Account Debtors of the assignment of their Accounts, demand and enforce payment of Accounts by legal proceedings or otherwise, and generally exercise any rights and remedies with respect to Accounts; (ii) settle, adjust, modify, compromise, discharge or release any Accounts or other Collateral, or any legal proceedings brought to collect Accounts or Collateral; (iii) sell or assign any Accounts and other Collateral upon such terms, for such amounts and at such times as Agent deems advisable; (iv) collect, liquidate and receive balances in Deposit Accounts or investment accounts, and take control, in any manner, of proceeds of Collateral; (v) prepare, file and sign an Obligor's name to a proof of claim or other document in a bankruptcy of an Account Debtor, or to any notice, assignment or satisfaction of Lien or similar document; (vi) receive, open and dispose of mail addressed to an Obligor, and notify postal authorities to deliver any such mail to an address designated by Agent; (vii) endorse any Chattel Paper, Document, Instrument, bill of lading, or other document or agreement relating to any Accounts, Inventory or other Collateral; (viii) use an Obligor's stationery and sign its name to verifications of Accounts and notices to Account Debtors; (ix) use information contained in any data processing, electronic or information systems relating to Collateral; (x) make and adjust claims under insurance policies; (xi) take any action as may be necessary or appropriate to obtain payment under any letter of credit, banker's acceptance or other instrument for which an Obligor is a beneficiary; and (xii) take all other actions as Agent deems appropriate to fulfill any Obligor's obligations under the Loan Documents.

## SECTION 9. REPRESENTATIONS AND WARRANTIES

**9.1.** **General Representations and Warranties**. To induce Agent and Lenders to enter into this Agreement and to make available the Revolver Commitments, Revolver Loans and Letters of Credit, each Obligor represents and warrants that:

(a) Organization and Qualification. Each Obligor and Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Obligor and Subsidiary is duly qualified, authorized to do business and in good standing as a foreign corporation in each jurisdiction where failure to be so qualified, authorized or in good standing could reasonably be expected to have a Material Adverse Effect. No Obligor is an EEA Financial Institution.

(b) Power and Authority. Each Obligor is duly authorized to execute, deliver and perform its Loan Documents. The execution, delivery and performance of the Loan Documents and the consummation of the Transactions have been duly authorized by all necessary action, and do not (i) require any consent or approval of any holders of Equity Interests of any Obligor, except those already obtained; (ii) contravene the Organic Documents of any Obligor; (iii) violate any Applicable Law or cause a default under any Material Contract; or (iv) result in or require imposition of a Lien (other than Permitted Liens) on any Obligor's Property.

(c) Enforceability. Each Loan Document is a legal, valid and binding obligation of each Obligor party thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(d) Capital Structure. **Schedule 9.1.4** shows, for each Obligor and Subsidiary, its name, jurisdiction of organization, authorized and issued Equity Interests, holders of its Equity Interests, and agreements binding on such holders with respect to such Equity Interests as of the Closing Date (immediately after giving effect to the Asset Acquisition) and upon giving effect to the Share Acquisition. Except as disclosed on **Schedule 9.1.4**, in the five years preceding the Closing Date, no Obligor or Subsidiary has acquired any substantial assets from any other Person nor been the surviving entity in a merger or combination. Each Obligor has good title to its Equity Interests in its Subsidiaries, subject only to Agent's Lien and the Term Loan Agent's Lien, and all such Equity Interests are duly issued, fully paid and non-assessable. There are no outstanding purchase options, warrants, subscription rights, agreements to issue or sell, convertible interests, phantom rights or powers of attorney relating to Equity Interests of any Obligor or Subsidiary.

(e) Title to Properties; Priority of Liens. Each Obligor and Subsidiary has good and marketable title to (or valid leasehold interests in) all of its Real Estate, and good title to all of its personal Property, including all Property reflected in any financial statements delivered to Agent or Lenders, in each case free of Liens except Permitted Liens. No Real Estate is located in a special flood hazard zone, except as disclosed on **Schedule 9.1.5**. Each Obligor and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. All Liens of Agent on the ABL Priority Collateral are duly perfected, first priority Liens and all Liens of Agent on the Term Loan Priority Collateral are duly perfected Liens having the priority set forth in the Intercreditor Agreement, in each case, subject only to Permitted Liens that are expressly allowed to have priority over Agent's Liens. Accounts. Agent may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by Obligors with respect thereto. Each Obligor warrants, with respect to each Account shown as an Eligible Account in a Borrowing Base Report, that:

(i) it is genuine and in all respects what it purports to be;

(ii) it arises out of a completed, bona fide sale and delivery of goods or rendition of services in the Ordinary Course of Business, and substantially in accordance with any purchase order, contract or other document relating thereto;

(iii) it is for a sum certain, maturing as stated in the applicable invoice, a copy of which has been furnished or is available to Agent on request;

(iv) it is not subject to any offset, Lien (other than Agent's Lien and the Term Loan Agent's Lien), deduction, defense, dispute, counterclaim or other adverse condition except as arising in the Ordinary Course of Business and disclosed to Agent; and it is absolutely owing by the Account Debtor, without contingency of any kind;

(v) no purchase order, agreement, document or Applicable Law restricts assignment of the Account to Agent (regardless of whether, under the UCC or similar provisions of the PPSA, as applicable, the restriction is ineffective), and the applicable Obligor is the sole payee or remittance party shown on the invoice;

(vi) no extension, compromise, settlement, modification, credit, deduction or return has been authorized or is in process with respect to the Account, except discounts or allowances granted in the Ordinary Course of Business for prompt payment that are reflected on the face of the invoice related thereto and in the reports submitted to Agent hereunder; and

(vii) to the best of Obligors' knowledge, (A) there are no facts or circumstances that are reasonably likely to impair the enforceability or collectability of such Account; (B) the Account Debtor had the capacity to contract when the Account arose, continues to meet the applicable Obligor's customary credit standards, is Solvent, is not contemplating or subject to an Insolvency Proceeding, and has not failed, or suspended or ceased doing business; and (C) there are no proceedings or actions threatened or pending against any Account Debtor that could reasonably be expected to have a material adverse effect on the Account Debtor's financial condition.

(f) Financial Statements. The consolidated and consolidating balance sheets, and related statements of income, cash flow and shareholders equity, of Hydrofarm and its Subsidiaries have been delivered and of Obligors and Subsidiaries that are hereafter delivered to Agent and Lenders, are prepared in accordance with GAAP, and fairly present the financial positions and results of operations of Obligors and Subsidiaries at the dates and for the periods indicated, subject to the lack of footnotes and year end audit adjustments, if any. All projections delivered from time to time to Agent and Lenders have been prepared in good faith, based on reasonable assumptions in light of the circumstances at such time, it being acknowledged and agreed by Agent and Lenders that projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by such projections may differ widely from projected results. Since December 31, 2016, there has been no change in the condition, financial or otherwise, of (i) Hydrofarm and its Subsidiaries or (ii) any Obligor or Subsidiary that, in any case, could reasonably be expected to have a Material Adverse Effect. No financial statement delivered to Agent or Lenders at any time contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make such statement not materially misleading. Obligors and Subsidiaries, taken as a whole, are Solvent.

(g) Surety Obligations. No Obligor or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

(h) Taxes. Each Obligor and Subsidiary has filed all Canadian and U.S. federal, provincial, state and material local and foreign tax returns and other reports that it is required by law to file, and has paid, or made provision for the payment of, all Taxes upon it, its income and its Properties that are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Obligor and Subsidiary is adequate for all years not closed by applicable statutes, and for its current Fiscal Year.

(i) Brokers. There are no brokerage commissions, finder's fees or investment banking fees payable in connection with any transactions contemplated by the Loan Documents.

(j) Intellectual Property. To such Obligor's knowledge, each Obligor and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Obligor's knowledge, threatened Intellectual Property Claim with respect to any Obligor, any Subsidiary or any of its Property (including any Intellectual Property). Except as disclosed on **Schedule 9.1.11**, no Obligor or Subsidiary pays or owes any Royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property that is licensed by or is subject to a pending application or current registration that is owned by any Obligor or Subsidiary is shown on **Schedule 9.1.11**. To any Obligor's knowledge, there is no third party Intellectual Property licensed to an Obligor that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Obligor, and no licensed third party Intellectual Property is necessary for Agent to exercise its rights to enforce Agent's Liens with respect to the ABL Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

(k) Governmental Approvals. Each Obligor and Subsidiary has, is in compliance with, and is in good standing with respect to, all Governmental Approvals necessary to conduct its business and to own, lease and operate its Properties. All necessary import, export or other licenses, permits or certificates for the import or handling of any goods or other Collateral have been procured and are in effect, and Obligors and Subsidiaries have complied with all foreign and domestic laws with respect to the shipment and importation of any goods or Collateral, except where noncompliance could not reasonably be expected to have a Material Adverse Effect.

(l) Compliance with Laws. Each Obligor and Subsidiary has duly complied, and its Properties and business operations are in compliance, in all material respects with all Applicable Law, except where noncompliance could not reasonably be expected to have a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Obligor or Subsidiary under any Applicable Law. No Inventory has been produced in violation of the FLSA.

(m) Compliance with Environmental Laws. Except as disclosed on **Schedule 9.1.14**, no Obligor's or Subsidiary's past or present operations, Real Estate or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. No Obligor or Subsidiary has received any Environmental Notice. No Obligor or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Estate now or previously owned, leased or operated by it.

(n) Burdensome Contracts. No Obligor or Subsidiary is a party or subject to any contract, agreement or charter restriction that could reasonably be expected to have a Material Adverse Effect or that prohibits the execution, delivery or performance of any Loan Document by an Obligor.

(o) Litigation. Except as shown on **Schedule 9.1.16**, there are no proceedings or investigations pending or, to any Obligor's knowledge, threatened against any Obligor or Subsidiary, or any of their businesses, operations, Properties, prospects or conditions, that (a) relate to any Loan Documents or transactions contemplated thereby (including the Transactions); or (b) could reasonably be expected to have a Material Adverse Effect if determined adversely to any Obligor or Subsidiary. Except as shown on such Schedule, no U.S. Obligor has a Commercial Tort Claim (other than, as long as no Default or Event of Default exists, a Commercial Tort Claim for less than $100,000). No Obligor or Subsidiary is in default with respect to any order, injunction or judgment of any Governmental Authority.

(p) No Defaults. No event or circumstance has occurred or exists that constitutes a Default or Event of Default. No Obligor or Subsidiary is in default, and no event or circumstance has occurred or exists that with the passage of time or giving of notice would constitute a default, under any Material Contract or in the payment of any Borrowed Money. There is no basis upon which any party (other than an Obligor or Subsidiary) could terminate a Material Contract prior to its scheduled termination date.

(q) ERISA and Canadian Pension Plans. Except as disclosed on **Schedule**

**9.1.18**:

(i) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of Obligors, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Obligor and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made by any Obligor or ERISA Affiliate with respect to any Pension Plan.

(ii) There are no pending or, to the knowledge of Obligors, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(iii) (A) No ERISA Event has occurred or is reasonably expected to occur; (B) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%; and no Obligor or ERISA Affiliate knows of any reason that such percentage could reasonably be expected to drop below 60%; (C) no Obligor or ERISA Affiliate has incurred any liability to the PBGC except for the payment of premiums, and no premium payments are due and unpaid; (D) no Obligor or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA; and (E) no Pension Plan has been terminated by its plan administrator or the PBGC, and no fact or circumstance exists that could reasonably be expected to cause the PBGC to institute proceedings to terminate a Pension Plan.

(iv) With respect to any Foreign Plan, (A) all employer and employee contributions required by law or by the terms of the Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices; (B) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance, or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles; and (C) it has been registered as required and has been maintained in good standing with applicable regulatory authorities.

(v) No Canadian Employee Plan provides for medical, life or other welfare benefits (through insurance or otherwise), with respect to any current or former employee of any Canadian Obligor or any Affiliate thereof after retirement or other termination of service (other than coverage mandated by Applicable Law or coverage provided through the end of the month containing the date of termination from service or otherwise where part of a severance package or with respect to injured or disabled employees). Obligors are in compliance in all material respects with the requirements of the PBA and any binding FSCO requirements of general application with respect to each Canadian Pension Plan and in material compliance with any FSCO directive or order directed specifically at a Canadian Pension Plan. No Canadian Pension Plan has any unfunded liability, solvency deficiency or wind up deficiency or otherwise has its present value benefit liabilities determined on a plan termination basis in accordance with actuarial assumptions in excess of the current value of its assets,. No fact or situation that may reasonably be expected to result in a Material Adverse Effect exists in connection with any Canadian Pension Plan. No Obligor or Subsidiary contributes to or participates in a Canadian Multi-Employer Plan. No Obligor or an Affiliate thereof maintains, contributes or has any liability with respect to a Canadian Defined Benefit Pension Plan. No Termination Event has occurred. All contributions required to be made by any Obligor or Subsidiary to any Canadian Pension Plan have been made in a timely fashion in accordance with the terms of such Canadian Pension Plan and the PBA. No Lien has arisen, choate or inchoate, in respect of any Obligor or their property in connection with any Canadian Pension Plan (save for contribution amounts not yet due).

(r) Trade Relations. There exists no actual or threatened termination, limitation or modification of any business relationship between any Obligor or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Obligor or Subsidiary. There exists no condition or circumstance that could reasonably be expected to impair the ability of any Obligor or Subsidiary to conduct its business at any time hereafter in substantially the same manner as conducted on the Initial Closing Date.

(s) Labor Relations. Except as described on **Schedule 9.1.20**, no Obligor or Subsidiary is party to or bound by any collective bargaining agreement, management agreement or consulting agreement. There are no material grievances, disputes or controversies with any union or other organization of any Obligor's or Subsidiary's employees, or, to any Obligor's knowledge, any asserted or threatened strikes, work stoppages or demands for collective bargaining.

(t) Payable Practices. No Obligor or Subsidiary has made any material change in its historical accounts payable practices from those in effect on the Initial Closing Date.

(u) Not a Regulated Entity . No Obligor is (i) an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940; or (ii) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other Applicable Law regarding its authority to incur Debt.

(v) Margin Stock. No Obligor or Subsidiary is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No Revolver Loan proceeds or Letters of Credit will be used by Obligors to purchase or carry, or to reduce or refinance any Debt incurred to purchase or carry, any Margin Stock or for any related purpose governed by Regulations T, U or X of the Board of Governors.

(w) Sanctions. No Obligor, Subsidiary, or any director, officer, employee, agent, affiliate or representative thereof, is or is owned or controlled by any individual or entity that is currently the subject or target of any Sanction or is located, organized or resident in a Designated Jurisdiction.

(x) Anti-Corruption Laws. Each Obligor and Subsidiary has conducted its business in accordance with applicable anti -corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

(y) Purchase Agreements. As of the Closing Date, Borrower Agent has furnished Agent a true and correct copy of the Purchase Agreements. The consummation of the transactions contemplated by the Purchase Agreements on the Closing Date will not violate any statute or regulation of the United States or Canada (including any securities law) or of any state, province or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Borrower or, to any Borrower's knowledge, any other party to the Purchase Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Borrower is a party or by which any Borrower is bound or, to any Borrower's knowledge, to which any other party to the Transactions is a party or by which any such party is bound. To the knowledge of Borrowers, the Purchase Agreement was duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

(z) Holdings. Holdings (i) has not engaged in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the Related Agreements; (ii) does not hold any assets other than (A) all of the issued and outstanding Equity Interests of Borrower Agent, (B) contractual rights pursuant to the Loan Documents, the Term Loan Documents and Related Agreements, and (C) cash and Cash Equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents); and (iii) has no liabilities other than under the Loan Documents, the Term Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

(aa) Term Loan Documents. The Term Loan Facility and each additional Term Loan Document dated as of the date hereof are being executed and delivered concurrently with the execution and delivery of this Agreement, true, correct and complete copies of which have been delivered to Agent. The transactions contemplated by the Term Loan Documents comply in all material respects with all Applicable Law.

(bb) Marijuana Sales. No Obligor or Subsidiary (other than any Foreign Subsidiary which is not an Obligor), to its knowledge, sells directly to marijuana growers or producers, or to sellers or retailers that sell only to the marijuana industry.

**9.2. Complete Disclosure**. No Loan Document contains any untrue statement of a material fact, nor fails to disclose any material fact necessary to make the statements contained therein not materially misleading. There is no fact or circumstance that any Obligor has failed to disclose to Agent in writing that could reasonably be expected to have a Material Adverse Effect.

## SECTION 10. COVENANTS AND CONTINUING AGREEMENTS

**10.1. Affirmative Covenants**. Until Full Payment of all Obligations, each Obligor shall, and shall cause each Subsidiary to:

(a) Inspections; Appraisals. Permit Agent from time to time, subject (unless a Default or Event of Default exists) to reasonable notice and normal business hours, to visit and inspect the Properties of any Obligor or Subsidiary, inspect, audit and make extracts from any Obligor's or Subsidiary's books and records, and discuss with its officers, employees, agents, advisors and independent accountants such Obligor's or Subsidiary's business, financial condition, assets, prospects and results of operations (provided that, except when an Event of Default exists, a representative of Borrower Agent is given the opportunity to be present during any discussion with any such agent, adviser or independent accountant). Lenders may participate in any such visit or inspection, at their own expense. Neither Agent nor any Lender shall have any duty to any Obligor to make any inspection, nor to share any results of any inspection, appraisal or report with any Obligor. Obligors acknowledge that all inspections, appraisals and reports are prepared by Agent and Lenders for their purposes, and Obligors shall not be entitled to rely upon them.

(i) Reimburse Agent for all reasonable charges, costs and expenses of Agent in connection with (A) examinations of any Obligor's books and records or any other financial or Collateral matters as Agent deems appropriate, up to one time per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); and (B) appraisals of Inventory up to one time per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); provided, however, that if an examination or appraisal is initiated during a Default or Event of Default (or as a result of a Collateral Trigger Period), all charges, costs and expenses therefor shall be reimbursed by Obligors without regard to such limits. Obligors agree to pay Agent's then standard charges for examination activities, including the standard charges of Agent's internal examination and appraisal groups, as well as the charges of any third party used for such purposes. No Borrowing Base calculation shall include Collateral acquired in a Permitted Acquisition or otherwise outside the Ordinary Course of Business until completion of applicable field examinations and appraisals (which shall not be included in the limits provided above) satisfactory to Agent.

(b) Financial and Other Information. Keep adequate records and books of account with respect to its business activities, in which proper entries are made in accordance with GAAP reflecting all financial transactions; and furnish to Agent and Lenders:

(i) as soon as available, and in any event within 150 days after the close of each Fiscal Year occurring on or before December 31, 2018 and 120 days for each Fiscal Year thereafter, balance sheets as of the end of such Fiscal Year and the related statements of income, cash flow and shareholders equity for such Fiscal Year, on consolidated and consolidating bases for Holdings, Borrowers and Subsidiaries, which consolidated statements shall be audited and certified (without qualification) by a firm of independent certified public accountants of recognized standing selected by Borrowers and acceptable to Agent, and shall set forth in comparative form corresponding figures for the preceding Fiscal Year and the figures for such Fiscal Year set forth in the projections most recently delivered pursuant to **Section 10.1.(b)(v)** and other information acceptable to Agent; provided, that notwithstanding the foregoing, Borrowers shall have until June 30, 2017 to deliver the foregoing financials with respect to the Fiscal Year ended December 31, 2016 and such financials shall be prepared for Hydrofarm and its Subsidiaries;

(ii) as soon as available, and in any event within 30 days after the end of each month (but within 45 days after the last month in a Fiscal Year), unaudited balance sheets as of the end of such fiscal month and the related statements of income and cash flow for such fiscal month and for the portion of the Fiscal Year then elapsed, on consolidated and consolidating bases for Holdings, Borrowers and Subsidiaries (provided, that during the initial 90 days after the Closing Date, such financial statements shall not be consolidated to include GSD, Eddi and EWGS and such entities shall provide separate financial statements otherwise in accordance with this clause (ii)), setting forth in comparative form corresponding figures for the preceding Fiscal Year and the figures for such Fiscal Year set forth in the projections most recently delivered pursuant to **Section 10.1(b)(v)** and certified pursuant to **clause (iii)** below by the chief financial officer of Borrower Agent as prepared in accordance with GAAP and fairly presenting the financial position and results of operations for such fiscal month and period, subject to normal year-end adjustments and the absence of footnotes;

(iii) concurrently with delivery of financial statements under **clauses (i)** and **(ii)** above (to the extent such fiscal month coincides with the end of a Fiscal Quarter), or more frequently if requested by Agent while a Financial Covenant Trigger Period is in effect, a Compliance Certificate executed by the chief financial officer of Borrower Agent (it being understood and agreed that a Compliance Certificate is required to be delivered pursuant to this clause (iii) regardless of whether a Financial Covenant Trigger Period is in effect);

(iv) concurrently with delivery of financial statements under clause (a) above, copies of all management letters and other material reports submitted to Borrowers by their accountants in connection with such financial statements;

(v) not later than thirty days after the start of each Fiscal Year, projections of Holdings' and the Borrowers' consolidated balance sheets, results of operations, cash flow, Canadian Availability and U.S. Availability for the next Fiscal Year, fiscal month by fiscal month, together with a statement of all underlying assumptions, and promptly following the preparation thereof, updates to any of the foregoing from time to time prepared by management of any Obligor;

(vi) at Agent's request, a listing of each Borrower's trade payables, specifying the trade creditor and balance due, and a detailed trade payable aging, all in form satisfactory to Agent;

(vii) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Borrower or any other Obligor has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Borrower or any other Obligor files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by a Borrower or any other Obligor to the public concerning material changes to or developments in the business of such Obligor;

(viii) promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(ix) concurrently with delivery of financial statements under clauses (i) and, for the fiscal months ending any Fiscal Quarter, (ii) above, a management report, in reasonable detail, signed by the chief financial officer of the Borrower Agent, describing the operations and financial condition of the Obligors and their Subsidiaries for the fiscal month and the portion of the Fiscal Year then ended (or for the Fiscal Year then ended in the case of annual financial statements), together with a discussion comparing such results as compared to the applicable figures for such period set forth in the projections most recently delivered pursuant to

**Section 10.1(b)(v)**;

(x) promptly upon any officer of any Obligor obtaining knowledge that any Obligor has either (A) registered any Intellectual Property with any Governmental Authority or (B) acquired any interest in real property (including leasehold interests in real property), a certificate of a Senior Officer describing such Intellectual Property and/or such real property in such detail as Agent shall reasonably require;

(xi) promptly after the sending or filing thereof, copies of any annual information report (including all actuarial reports and other schedules and attachments thereto) required to be filed with a Governmental Authority in connection with each Pension Plan, Canadian Pension Plan or any Foreign Plan that is required by Applicable Law to be funded; promptly upon receipt, copies of any notice, demand, inquiry or subpoena received in connection with any Pension Plan or Canadian Pension Plan from a Governmental Authority (other than routine inquiries in the course of application for a favourable IRS determination letter); and at Agent's request, copies of any annual report required to be filed with a Governmental Authority in connection with any other Pension Plan or Canadian Pension Plan;

(xii) such other reports and information (financial or otherwise) as Agent may request from time to time in connection with any Collateral or any Borrower's, Subsidiary's or other Obligor's financial condition or business;

(xiii) not later than five (5) Business Days after receipt thereof by any Obligor or any Subsidiary thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement (including, without limitation, the Term Loan Documents) and, from time to time upon request by Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as Agent may reasonably request;

(xiv) promptly after the sending or filing thereof, any certifications or other documents (including any exhibits or other backup thereto) regarding the post-closing settlement or other "true-up" of consideration paid under the Existing Purchase Agreement or Purchase Agreements;

(xv) promptly upon the completion thereof, any third-party audit or other review of the Initial Closing Date balance sheet of the Obligors; and

(xvi) as soon as available, and in any event within 120 days after the close of each Fiscal Year, financial statements for each Guarantor, in form and substance satisfactory to Agent.

(c) Notices . Notify Agent and Lenders in writing, promptly after an Obligor's obtaining knowledge thereof, of any of the following that affects an Obligor: (i) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could reasonably be expected to have a Material Adverse Effect; (ii) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract; (iii) any default under or termination of a Material Contract; (iv) the existence of any Default or Event of Default or any "Default" or "Event of Default" under and as defined in any Term Loan Documents; (v) any judgment in an amount exceeding $500,000; (vi) the assertion of any Intellectual Property Claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect; (vii) any violation or asserted violation of any Applicable Law (including ERISA, PBA, OSHA, FLSA, or any Environmental Laws), if an adverse resolution could reasonably be expected to have a Material Adverse Effect; (viii) any Environmental Release by an Obligor or on any Real Estate owned, leased or occupied by an Obligor; or receipt of any Environmental Notice; (ix) the occurrence of any ERISA Event or Termination Event; (x) the discharge of or any withdrawal or resignation by Borrowers' independent accountants; (xi) any opening of a new office or place of business, at least 30 days prior to such opening; or (xii) any Obligor becomes party to, liable under or otherwise bound by any collective bargaining agreement, any Canadian Defined Benefit Pension Plan, Canadian Pension Plan, Pension Plan, Multiemployer Plan, Canadian Multi-Employer Plan or similar agreement.

(d) Landlord and Storage Agreements. Upon request, provide Agent with copies of all existing agreements, and promptly after execution thereof provide Agent with copies of all future agreements, between an Obligor and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral.

(e) Compliance with Laws. Comply with all Applicable Laws, including ERISA, PBA and Applicable Laws relating to Canadian Pension Plans, Environmental Laws, FLSA, OSHA, Anti-Terrorism Laws, and laws regarding collection and payment of Taxes, and maintain all Governmental Approvals necessary to the ownership of its Properties or conduct of its business, unless failure to comply (other than failure to comply with Anti-Terrorism Laws) or maintain could not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release occurs at or on any Properties of any Obligor or Subsidiary, it shall act promptly and diligently to investigate and report to Agent and all appropriate Governmental Authorities the extent of, and to make appropriate remedial action to eliminate, such Environmental Release, whether or not directed to do so by any Governmental Authority.

(f) Taxes. Pay, remit and discharge all U.S. and Canadian, federal, provincial, state and local Taxes prior to the date on which they become delinquent or penalties attach, unless such Taxes are being Properly Contested and file all Tax and information returns.

(g) Insurance. In addition to the insurance required hereunder with respect to Collateral, maintain insurance with insurers (with a Best rating of at least A+, unless otherwise approved by Agent in its discretion) satisfactory to Agent, (a) with respect to the Properties and business of Obligors and Subsidiaries of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance), in such amounts, and with such coverages and deductibles as are customary for companies similarly situated; and (b) business interruption insurance in an amount not less than that maintained by prudent companies similarly situated, with deductibles and subject to an endorsement or Insurance Assignment reasonably satisfactory to Agent.

(h) Licenses. Keep each material License affecting any Collateral (including the manufacture, distribution or disposition of Inventory) or any other material Property of Obligors and Subsidiaries in full force and effect; promptly notify Agent of any proposed modification to any such material License, or entry into any new material License, in each case at least 30 days prior to its effective date; pay all Royalties and other amounts when due under any material License; and notify Agent of any default or breach asserted by any Person to have occurred under any material License.

(i) Future Subsidiaries. Promptly notify Agent upon any Person becoming a Subsidiary and, (x) if such Person is not a Foreign Subsidiary, cause it to guaranty the Obligations or become a U.S. Borrower hereunder (y) if such Person is a Foreign Subsidiary organized or formed under the laws of Canada or any province thereof, cause it to guaranty the Canadian Obligations or become a Canadian Borrower hereunder and (z) if such Person is any other Foreign Subsidiary, cause it to guaranty the Canadian Obligations, in either case, in a manner reasonably satisfactory to Agent, and to execute and deliver a joinder in the form of Exhibit G hereto and such other documents, instruments and agreements and to take such other actions as Agent shall require to evidence and perfect a Lien (having the priority set forth in the Intercreditor Agreement) in favor of Agent on all assets of such Person, including delivery of such legal opinions, in form and substance reasonably satisfactory to Agent, as it shall deem appropriate. Notwithstanding anything to the contrary set forth herein, no Subsidiary may guarantee (or be a borrower under) the Term Loan Facility that does not also guarantee the Obligations (or is a Borrower hereunder).

(j) Anti-Corruption Laws. Conduct its business in compliance with applicable anti-corruption laws and maintain policies and procedures designed to promote and achieve compliance with such laws.

(k) Lender Meetings. Within fifteen (15) days after the delivery to Agent and Lenders of financial statements pursuant to **Section 10.1(b)(i)**, and at any time or times during the existence of an Event of Default, each Obligor shall, in each case to the extent requested by either Agent or Required Lenders, conduct a meeting of Agent and Lenders to discuss the most recently reported financial results and the financial condition of Holdings, the Borrowers and their Subsidiaries, at which shall be present a Senior Officer of Holdings and such other officers of the Obligors as may be reasonably requested to attend by Agent or Required Lenders, such request or requests to be made within a reasonable time prior to the scheduled date of such meeting. Such meetings shall be held at a time and place convenient to Lenders and to Borrowers.

(l) Senior Credit Enhancements. If the Term Loan Agent or any Term Loan Lender under the Term Loan Documents receives any additional guaranty, Collateral or other credit enhancement after the Closing Date, each Obligor shall cause the same to be granted to Agent and the Lenders, subject to the terms of the Intercreditor Agreement.

(m) Compliance Regarding Marijuana Sales. Institute and maintain policies and procedures (satisfactory to the Agent) designed to promote and achieve compliance with the representations set forth at **Section 9.1(bb)**.

**10.2. Negative Covenants**. Until Full Payment of all Obligations, each Obligor shall not, and shall cause each Subsidiary not to:

(a) Permitted Debt. Create, incur, guarantee or suffer to exist any Debt, except:

(i) the Obligations;

(ii) Subordinated Debt in an aggregate amount outstanding at any time not in excess of $20,000,000;

(iii) Permitted Purchase Money Debt;

(iv) Borrowed Money (other than the Obligations, Subordinated Debt and Permitted Purchase Money Debt and Term Loan Obligations) set forth on **Schedule 10.2.1**, but only to the extent outstanding on the Closing Date and not satisfied with proceeds of the initial Revolver Loans;

(v) Debt with respect to Bank Products incurred in the Ordinary Course of Business;

(vi) Debt that is in existence when a Person becomes a Subsidiary or that is secured by an asset when acquired by a Borrower or Subsidiary, as long as such Debt was not incurred in contemplation of such Person becoming a Subsidiary or such acquisition, and does not exceed $1,000,000 in the aggregate at any time;

(vii) Permitted Contingent Obligations;

(viii) Term Loan Obligations so long as the loans thereunder do not exceed the Term Loan Maximum Amount (as defined in the Intercreditor Agreement), subject to the limitations set forth in the Intercreditor Agreement;

(ix) Refinancing Debt as long as each Refinancing Condition is satisfied;

(x) intercompany Debt permitted pursuant to **Section 10.2(g)(iv)** hereof;

(xi) Debt in respect of appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances, in each case, issued for the account of any Obligor in the Ordinary Course of Business, including guarantees or obligations of any Obligor with respect to Letters of Credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(xii) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business;

(xiii) Subordinated Debt of any Obligor to repurchase Equity Interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director, so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this **clause (xiii)** does not exceed $1,000,000 in the aggregate at any time;

(xiv) Debt consisting of accrued and unpaid management fees permitted under the Management Agreements;

(xv) Debt consisting of any final judgment rendered against any Obligor that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constituting an Event of Default in accordance with **Section 11.1(g)** hereof;

(xvi) Debt of a Borrower or any of its Subsidiaries consisting of obligations under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions, Permitted Acquisitions, or any other Investment expressly permitted hereunder incurred under or in respect of deferred compensation plans entered into in the Ordinary Course of Business;

(xvii) Debt that is not included in any of the preceding clauses of this Section, is not secured by a Lien and does not exceed $1,000,000 in the aggregate at any time;

(xviii) the Earnout Obligations; and

(xix) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in **clauses (a)** through **(q)** above.

(b) Permitted Liens. Create or suffer to exist any Lien upon any of its Property, except the following (collectively, "Permitted Liens"):

(i) Liens in favor of Agent;

(ii) Purchase Money Liens securing Permitted Purchase Money Debt;

(iii) Liens for Taxes not yet due or being Properly Contested;

(iv) statutory Liens (other than Liens for Taxes or imposed under ERISA or PBA) arising in the Ordinary Course of Business, but only if (A) payment of the obligations secured thereby is not yet due or is being Properly Contested, and (B) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Obligor or Subsidiary;

(v) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to Agent's Liens and are required or provided by law;

(vi) Liens arising in the Ordinary Course of Business that are subject to Lien Waivers;

(vii) Liens arising by virtue of a judgment or judicial order against any Obligor or Subsidiary, or any Property of an Obligor or Subsidiary, as long as such Liens are (i) in existence for less than 20 consecutive days or being Properly Contested, and (ii) at all times junior to Agent's Liens;

(viii) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Estate, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business;

(ix) normal and customary rights of setoff upon deposits in favor of depository institutions, and Liens of a collecting bank on Payment Items in the course of collection;

(x) Liens on assets (other than Accounts and Inventory) acquired in a Permitted Acquisition, securing Debt permitted by **Section 10.2(a)(vi)**;

(xi) Liens in favor of the Term Loan Agent securing Debt permitted by **Section 10.2(a)(viii)** to the extent such Liens are subject to the Intercreditor Agreement;

(xii) existing Liens shown on **Schedule 10.2.2**;

(xiii) leases, subleases, licenses or sublicenses of the Property of any Obligor, in each case entered into in the Ordinary Course of Business of such Obligor which do not (i) interfere in any material respect with the business of any Obligor or any Subsidiary and (ii) secure any Debt;

(xiv) licenses or sublicenses of Intellectual Property granted by any Obligor in the Ordinary Course of Business;

(xv) the filing of UCC or PPSA financing statements solely as a precautionary measure in connection with operating leases or consignment of goods;

(xvi) Liens for the benefit of a seller attaching solely to cash earnest money deposits in connection with a letter of intent or acquisition agreement with respect to a Permitted Acquisition; and

(xvii) Liens on an insurance policy of any Obligor and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Debt permitted to finance the premiums of such policies.

(c) [Intentionally Omitted.]

(d) Distributions. Declare or make any Distributions, except Permitted Distributions; or create or suffer to exist any encumbrance or restriction on the ability of a Subsidiary to make any Permitted Distributions, except for restrictions under the Loan Documents, under the Term Loan Documents, under Applicable Law or in effect on the Closing Date as shown on **Schedule 9.1.15**.

(e) Restricted Investments. Make any Restricted Investment.

(f) Disposition of Assets. Make any Asset Disposition, except a Permitted Asset Disposition, a disposition of Equipment under **Section 8.4(b)**, or a transfer of Property by a Subsidiary or Obligor to an Obligor.

(g) Loans. Make any loans or other advances of money to any Person, except (i) advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business; (ii) prepaid expenses and extensions of trade credit made in the Ordinary Course of Business; (iii) deposits with financial institutions permitted hereunder; (iv) Permitted Intercompany Loans; (v) Reserved; (vi) non-cash loans consisting of promissory notes from officers, directors and employees for the purchase of newly issued Equity Interests of Holdings, so long as no Change of Control occurs thereby; and (vii) any loan or advances permitted pursuant to **Section 10.2(e)**.

(h) Restrictions on Payment of Certain Debt. Make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance or acquisition) with respect to any:

(i) Subordinated Debt (other than any Permitted Affiliate Sub Debt, which shall be subject to **clause (iii)** below), except regularly scheduled payments of principal, interest and fees, but only to the extent permitted under any subordination agreement relating to such Debt (and a Senior Officer of Borrower Agent shall certify to Agent, not less than five Business Days prior to the date of payment, that all conditions under such agreement have been satisfied);

(ii) Term Loan Obligations except (A) any such payments (other than voluntary prepayments, which are governed by **clause (B)** below) to the extent such payments are not prohibited from being paid pursuant to the terms of the Intercreditor Agreement and (B) voluntary prepayments to the extent the Specified Transaction Conditions are satisfied in connection therewith;

(iii) any Permitted Affiliate Sub Debt;

(iv) Borrowed Money (other than the Obligations, Subordinated Debt, the Term Loan Obligations or the Permitted Affiliate Sub Debt), except (A) required payments under the agreements evidencing such Debt as in effect on the Closing Date (or as amended thereafter with the consent of Agent), (B) payments in an aggregate amount not to exceed $500,000 in any Fiscal Year or (C) other payments to the extent the Specified Transaction Conditions are satisfied in connection therewith; and

(v) Earnout Obligations to the extent the Specified Transaction Conditions are satisfied in connection therewith.

(i) Fundamental Changes. Change its name or conduct business under any fictitious name; change its tax, charter or other organizational identification number; change its form or jurisdiction of organization; liquidate, wind up its affairs or dissolve itself; change the location of its registered office or chief executive office (with respect to a Canadian Obligor); or merge, amalgamate, combine or consolidate with any Person, whether in a single transaction or in a series of related transactions, except for (i) a merger, amalgamation, combination, consolidation, liquidation, or dissolution of a Borrower into another Borrower, a wholly-owned Subsidiary of a Borrower into another wholly owned Subsidiary of such Borrower (provided that if any such Person is an Obligor, the Obligor shall be the surviving or continuing entity); or (ii) Permitted Acquisitions.

(j) Subsidiaries. Form or acquire any Subsidiary after the Closing Date, except in accordance with **Sections 10.1(i)**, **10.2(e)** and **10.2(i)**; or permit any existing Subsidiary to issue any additional Equity Interests except directors' qualifying shares.

(k) Organic Documents. Amend, modify or otherwise change any of its Organic Documents, except (i) in a manner not adverse to the interests of Agent or the Lenders, (ii) in connection with a transaction permitted under **Section 10.2(i)**, or (iii) any amendment of any Organic Documents of Holdings necessary to facilitate the issuance of Equity Interests of Holdings so long as such amendment is not adverse to the interests of Agent or the Lenders.

(l) Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Holdings, Borrowers and Subsidiaries.

(m) Accounting Changes . Make any material change in accounting treatment or reporting practices, except as required by GAAP and in accordance with **Section 1.2**; or change its Fiscal Year or any Fiscal Quarter.

(n) Restrictive Agreements. Become a party to any Restrictive Agreement, except a Restrictive Agreement (i) in effect on the Closing Date; (ii) relating to secured Debt (other than the Term Loan Obligations) permitted hereunder, as long as the restrictions apply only to collateral for such Debt; (iii) constituting customary restrictions on assignment in leases and other contracts; (iv) constituting a Term Loan Document; (v) as required by Applicable Law; (vi) customary provisions restricting assignment of any agreement entered into by any Obligor or Subsidiary in the Ordinary Course of Business; (vii) any holder of a Lien permitted by **Section 10.2(b)** restricting the transfer of the property subject thereto; (viii) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under **Section 10.2(f)** pending the consummation of such sale; or (ix) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the Ordinary Course of Business; provided that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

(o) Hedging Agreements. Enter into any Hedging Agreement, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

(p) Conduct of Business. Engage in any business, other than its business as conducted on the Initial Closing Date and any activities incidental thereto.

(q) Affiliate Transactions. Enter into or be party to any transaction with an Affiliate, except (i) transactions expressly permitted by the Loan Documents; (ii) payment of reasonable compensation to officers and employees for services actually rendered, and payment of customary directors' fees and indemnities; (iii) (A) transactions solely among U.S. Obligors or (B) transactions solely among Canadian Obligors; (iv) transactions with Affiliates consummated prior to the Closing Date, as shown on **Schedule 10.2.17**; and (v) transactions with Affiliates in the Ordinary Course of Business, upon fair and reasonable terms fully disclosed to Agent and no less favorable than would be obtained in a comparable arm's-length transaction with a non-Affiliate.

(r) Plans and Canadian Pension Plans. Become party to any Multiemployer Plan, Canadian Multi-Employer Plan, Foreign Plan or Canadian Defined Benefit Plan, other than any in existence on the Closing Date or maintain, contribute or have any liability in respect of, or acquire any Person that maintains, contributes or has any liability in respect of, a Canadian Pension Plan or Canadian Multi-Employer Plan or a Canadian Defined Benefit Plan during the term of this Agreement.

(s) Amendments to Debt and Certain other Agreements.

(i) Amend, supplement or otherwise modify any document, instrument or agreement relating to any Subordinated Debt (other than any Permitted Affiliate Sub Debt, which is governed by clause (ii) below)), if such modification (A) increases the principal balance of such Debt, or increases any required payment of principal or interest; (B) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions; (C) shortens the final maturity date or otherwise accelerates amortization; (D) increases the interest rate; (E) increases or adds any fees or charges; (F) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Obligor or Subsidiary, or that is otherwise materially adverse to any Obligor, any Subsidiary or Lenders; or (G) results in the Obligations not being fully benefited by the subordination provisions thereof.

(ii) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Permitted Affiliate Sub Debt.

(iii) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Term Loan Obligations (including, without limitation, the Term Loan Documents) except to the extent permitted by the Intercreditor Agreement.

(iv) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any Management Agreement in any manner that is adverse to Agent or the Lenders (it being understood that any amendment or modification to any Management Agreement that has the effect of either (x) increasing the fees or other amounts payable to any Manager thereunder or (y) modifying the subordination provisions set forth therein shall, in any event, be adverse to Agent or the Lenders).

(v) Amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Closing Date Acquisition (including the Purchase Agreements) or the Existing Acquisition (including the Existing Purchase Agreement) in any manner that (i) is contrary to the terms of this Agreement or any other Loan Document; or (ii) could reasonably be expected to have a Material Adverse Effect or otherwise be materially adverse to the rights, interests or privileges of Agent or Lenders or their ability to enforce the Loan Documents.

(t) Holdings . Permit Holdings to: (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the Related Agreements; (b) hold any assets other than (i) all of the issued and outstanding Equity Interests of Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Term Loan Documents and Related Agreements, and (iii) cash and Cash Equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents); and (c) incur any liabilities other than under the Loan Documents, the Term Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

**10.3. Fixed Charge Coverage Ratio**. As long as any Revolver Commitments or Obligations are outstanding, Obligors shall:

(a) while any U.S. FILO Loans are outstanding, maintain a Fixed Charge Coverage Ratio for each 12 month period ending on the date of measurement of at least 1.0 to 1.0; and

(b) at all other times, maintain a Fixed Charge Coverage Ratio for each 12 month period ending on the date of measurement of at least 1.0 to 1.0 while a Financial Covenant Trigger Period is in effect, measured for the most recent period for which financial statements were delivered hereunder prior to the Financial Covenant Trigger Period and each such period ending thereafter until the Financial Covenant Trigger Period is no longer in effect.

**SECTION 11. EVENTS OF DEFAULT; REMEDIES ON DEFAULT**

**11.1. Events of Default**. Each of the following shall be an "Event of Default" if it occurs for any reason whatsoever, whether voluntary or involuntary, by operation of law or otherwise:

(a) Any Obligor fails to pay its Obligations when due (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of an Obligor made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) An Obligor breaches or fails to perform any covenant contained in

**Section 7.2**, **7.3**, **7.4**, **8.1**, **8.2(d)**, **8.2(e)**, **8.6(b)**, **10.1(a)**, **10.1(b)** (other than **clauses (vii)**, **(viii)** and **(ix)** therein), **10.1(m)**, **10.2**, **10.3** or **14.19**;

(d) An Obligor breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within 30 days after a Senior Officer of such Obligor has knowledge thereof or receives notice thereof from Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by an Obligor;

(e) A Guarantor repudiates, revokes or attempts to revoke its Guaranty; an Obligor or an Affiliate thereof denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to Agent (except as modified by the Intercreditor Agreement); or any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by Agent and Lenders);

(f) Any breach or default of an Obligor occurs under (i) any Hedging Agreement; or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound, relating to (x) the Term Loan Obligations or (y) any other Debt (other than the Obligations or the Term Loan Obligations) in excess of $1,000,000 in either case of clauses (i) or (ii), if the maturity of or any payment with respect to such Debt may be accelerated or demanded due to such breach;

(g) Any final judgment or order for the payment of money is entered against an Obligor in an amount that remains unpaid for more than fifteen (15) days and that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Obligors, $1,000,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect;

(h) A loss, theft, damage or destruction occurs with respect to any ABL Priority Collateral if the amount not covered by insurance exceeds $1,000,000;

(i) An Obligor is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business; an Obligor suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business; there is a cessation of any material part of an Obligor's business for a material period of time; any material Collateral or Property of an Obligor is taken or impaired through condemnation or expropriation; except as expressly permitted by **Section 10.2(i)**, an Obligor agrees to or commences any liquidation, dissolution or winding up of its affairs; or an Obligor is not Solvent;

(j) An Insolvency Proceeding is commenced by an Obligor; an Obligor makes an offer of settlement, extension or composition to its unsecured creditors generally; an Obligor admits in writing its inability to pay its obligations generally as they become due; a trustee, receiver, interim receiver or similar official is appointed to take possession of any substantial Property of or to operate any of the business of an Obligor; or an Insolvency Proceeding is commenced against an Obligor and: the Obligor consents to institution of the proceeding, the petition commencing the proceeding is not timely contested by the Obligor, the petition is not dismissed within 60 days after filing, or an order for relief is entered in the proceeding;

(k) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of an Obligor or ERISA Affiliate to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan; an Obligor or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan; or any event similar to the foregoing occurs or exists with respect to a Foreign Plan; or

(l) (i) a Termination Event shall occur or any Canadian Multi- Employer Plan or Canadian Defined Benefit Pension Plan shall be terminated, in each case, in circumstances which would result or could reasonably be expected to result in a Canadian Obligor being required to make a contribution to or in respect of a Canadian Pension Plan, a Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan, or results in the appointment, by FSCO, of an administrator to wind up a Canadian Pension Plan, or (ii) any Canadian Obligor is in default with respect to any required contributions to a Canadian Pension Plan; or

(m) An Obligor or any of its Senior Officers is criminally indicted or convicted for (i) a felony committed in the conduct of the Obligor's business, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property of any Obligor or any Collateral; or

(n) A Change of Control occurs; or

(o) (i) the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Obligor or any Affiliate of any Obligor Person shall contest in any manner, or assist any Person party thereto to contest in any manner, the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or the Intercreditor Agreement; or (ii) the subordination provisions of any agreement or instrument relating to any Subordinated Debt shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than Agent, the Lenders or the Issuing Bank) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions; or

(p) any Loan Document or any material provision of any Loan Document shall at any time and for any reason cease to be valid and binding on or enforceable against any Obligor party thereto or any Obligor shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any security interest and Lien on the Collateral purported to be granted to Agent for the benefit of the Secured Parties by any Security Document shall for any reason (other than as expressly permitted hereunder or pursuant to the terms thereof) cease to be in full force and effect or create a valid security interest in any material portion of the Collateral or such security interest shall for any reason (other than the failure of Agent to take any action within its control) cease to be a perfected security interest with the priority stated in the Security Documents, except (in each case) (x) to the extent that any such grant, perfection or priority is not required pursuant to the terms hereof or the Security Documents and (y) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage.

**11.2.** **Remedies upon Default**. If an Event of Default described in **Section 11.1(j)** occurs with respect to any Obligor, then to the extent permitted by Applicable Law, all Obligations (other than Secured Bank Product Obligations) shall become automatically due and payable and all Revolver Commitments shall terminate, without any action by Agent or notice of any kind. In addition, or if any other Event of Default exists, Agent may in its discretion (and shall upon written direction of Required Lenders) do any one or more of the following from time to time:

(a) declare any Obligations (other than Secured Bank Product Obligations) immediately due and payable, whereupon they shall be due and payable without diligence, presentment, demand, protest or notice of any kind, all of which are hereby waived by Borrowers to the fullest extent permitted by law;

(b) terminate, reduce or condition any Revolver Commitment or adjust the Borrowing Base;

(c) require Obligors to Cash Collateralize their LC Obligations, Secured Bank Product Obligations and other Obligations that are contingent or not yet due and payable, and if Obligors fail to deposit such Cash Collateral, Agent may (and shall upon the direction of Canadian Required Lenders or U.S. Required Lenders, as applicable) advance the required Cash Collateral as Canadian Revolver Loans or U.S. Revolver Loans, as applicable (whether or not a Canadian Overadvance exists or is created thereby, a U.S. Overadvance exists or is created thereby or an Overadvance exists or is created thereby, or the conditions in **Section 6** are satisfied); and

(d) exercise any other rights or remedies afforded under any agreement, by law, at equity or otherwise, including the rights and remedies of a secured party under the UCC or PPSA. Such rights and remedies include the rights to (i) take possession of any Collateral; (ii) require Obligors to assemble Collateral, at Obligors' expense, and make it available to Agent at a place designated by Agent; (iii) enter any premises where Collateral is located and store Collateral on such premises until sold (and if the premises are owned or leased by an Obligor, Obligors agree not to charge for such storage); and (iv) sell or otherwise dispose of any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale, with such notice as may be required by Applicable Law, in lots or in bulk, at such locations, all as Agent, in its discretion, deems advisable. Each Obligor agrees that ten (10) days notice of any proposed sale or other disposition of Collateral by Agent shall be reasonable, and that any sale conducted on the internet or to a licensor of Intellectual Property shall be commercially reasonable. Agent may conduct sales on any Obligor's premises, without charge, and any sale may be adjourned from time to time in accordance with Applicable Law. Agent shall have the right to sell, lease or otherwise dispose of any Collateral for cash, credit or any combination thereof, and Agent may purchase any Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of the purchase price, may credit bid and set off the amount of such price against the Obligations.

**11.3.** **License**. Until Full Payment of the Obligations and termination of this Agreement and the Revolver Commitments hereunder, Agent is hereby granted an irrevocable, sublicensable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person), after the occurrence and during the continuance of an Event of Default, any or all Intellectual Property of Obligors, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other Property, in advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral. After the occurrence and during the continuance of an Event of Default, each Obligor's rights and interests under Intellectual Property shall inure to Agent's benefit.

**11.4.** **Setoff**. At any time during an Event of Default, Agent, Issuing Bank, Lenders, and any of their Affiliates are authorized, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency other than any Excluded Accounts of the type set forth in clauses (a) through (c) of the definition thereof) at any time held and other obligations (in whatever currency) at any time owing by Agent, Issuing Bank, such Lender or such Affiliate to or for the credit or the account of an Obligor against its Obligations then due, whether or not Agent, Issuing Bank, such Lender or such Affiliate shall have made any demand under this Agreement or any other Loan Document and although such Obligations may be owed to a branch or office of Agent, Issuing Bank, such Lender or such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of Agent, Issuing Bank, each Lender and each such Affiliate under this Section are in addition to other rights and remedies (including other rights of setoff) that such Person may have.

**11.5.** **Remedies Cumulative; No Waiver**.

(a) Cumulative Rights. All agreements, warranties, guaranties, indemnities and other undertakings of Obligors under the Loan Documents are cumulative and not in derogation of each other. The rights and remedies of Agent and Lenders under the Loan Documents are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and are not exclusive of any other rights or remedies available by agreement, by law, at equity or otherwise. All such rights and remedies shall continue in full force and effect until Full Payment of all Obligations.

(b) Waivers. No waiver or course of dealing shall be established by (i) the failure or delay of Agent or any Lender to require strict performance by any Obligor under any Loan Document, or to exercise any rights or remedies with respect to Collateral or otherwise; (ii) the making of any Revolver Loan or issuance of any Letter of Credit during a Default, Event of Default or other failure to satisfy any conditions precedent; or (iii) acceptance by Agent or any Lender of any payment or performance by an Obligor under any Loan Documents in a manner other than that specified therein. Any failure to satisfy a financial covenant on a measurement date shall not be cured or remedied by satisfaction of such covenant on a subsequent date.

**SECTION 12. AGENT**

**12.1. Appointment, Authority and Duties of Agent**.

(a) Appointment and Authority. Each Secured Party appoints and designates Bank of America as Agent under all Loan Documents. Agent may, and each Secured Party authorizes Agent to, enter into all Loan Documents to which Agent is intended to be a party and accept all Security Documents. Any action taken by Agent in accordance with the provisions of the Loan Documents, and the exercise by Agent of any rights or remedies set forth therein, together with all other powers reasonably incidental thereto, shall be authorized by and binding upon all Secured Parties. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive authority to (i) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with the Loan Documents; (ii) execute and deliver as Agent each Loan Document, including any intercreditor or subordination agreement, and accept delivery of each Loan Document; (iii) act as collateral agent for Secured Parties for purposes of perfecting and administering Liens under the Loan Documents, and for all other purposes stated therein; (iv) manage, supervise or otherwise deal with Collateral; and (v) take any Enforcement Action or otherwise exercise any rights or remedies with respect to any Collateral or under any Loan Documents, Applicable Law or otherwise. Agent alone shall be authorized to determine eligibility and applicable advance rates under the Borrowing Base, whether to impose or release any reserve, or whether any conditions to funding or issuance of a Letter of Credit have been satisfied, which determinations and judgments, if exercised in good faith, shall exonerate Agent from liability to any Secured Party or other Person for any error in judgment.

(b) Duties. The title of "Agent" is used solely as a matter of market custom and the duties of Agent are administrative in nature only. Agent has no duties except those expressly set forth in the Loan Documents, and in no event does Agent have any agency, fiduciary or implied duty to or relationship with any Secured Party or other Person by reason of any Loan Document or related transaction. The conferral upon Agent of any right shall not imply a duty to exercise such right, unless instructed to do so by Lenders in accordance with this Agreement.

(c) Agent Professionals. Agent may perform its duties through agents and employees. Agent may consult with and employ Agent Professionals, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by an Agent Professional. Agent shall not be responsible for the negligence or misconduct of any agents, employees or Agent Professionals selected by it with reasonable care.

(d) Instructions of Required Lenders. The rights and remedies conferred upon Agent under the Loan Documents may be exercised without the necessity of joining any other party, unless required by Applicable Law. In determining compliance with a condition for any action hereunder, including satisfaction of any condition in **Section 6**, Agent may presume that the condition is satisfactory to a Secured Party unless Agent has received notice to the contrary from such Secured Party before Agent takes the action. Agent may request instructions from Required Lenders or other Secured Parties with respect to any act (including the failure to act) in connection with any Loan Documents or Collateral, and may seek assurances to its satisfaction from Secured Parties of their indemnification obligations against Claims that could be incurred by Agent. Agent may refrain from any act until it has received such instructions or assurances, and shall not incur liability to any Person by reason of so refraining. Instructions of Canadian Required Lenders and U.S. Required Lenders shall be binding upon all Canadian Secured Parties and U.S. Secured Parties, respectively, and no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting pursuant to instructions of the applicable Required Lenders. Notwithstanding the foregoing, instructions by and consent of specific parties shall be required to the extent provided in **Section 14.1(a)**. In no event shall Agent be required to take any action that it determines in its discretion is contrary to Applicable Law or any Loan Documents or could subject any Agent Indemnitee to liability.

**12.2. Agreements Regarding Collateral and Borrower Materials**.

(a) Lien Releases; Care of Collateral. Secured Parties authorize Agent to release any Lien on any Collateral (i) upon Full Payment of the Obligations; (ii) that is the subject of a disposition or Lien that Obligors certify in writing is a Permitted Asset Disposition or a Permitted Lien entitled to priority over Agent's Liens (and Agent may rely conclusively on such certificate without further inquiry); (iii) that does not constitute a material part of the Collateral; or (iv) subject to **Section 14.1** , with the consent of Required Lenders. Secured Parties authorize Agent to subordinate its Liens to any Purchase Money Lien or other Lien entitled to priority hereunder. Agent has no obligation to assure that any Collateral exists or is owned by an Obligor, or is cared for, protected or insured, nor to assure that Agent's Liens have been properly created, perfected or enforced, or are entitled to any particular priority, nor to exercise any duty of care with respect to any Collateral.

(b) Possession of Collateral. Agent and Secured Parties appoint each Lender as agent (for the benefit of Secured Parties) for the purpose of perfecting Liens in Collateral held or controlled by such Lender, to the extent such Liens are perfected by possession or control. If any Lender obtains possession or control of any Collateral, it shall notify Agent thereof and, promptly upon Agent's request, deliver such Collateral to Agent or otherwise deal with it in accordance with Agent's instructions.

(c) Reports. Agent shall promptly provide to Lenders, when complete, any field examination, audit or appraisal report prepared for Agent with respect to any Obligor or Collateral ("Report"). Reports and other Borrower Materials may be made available to Lenders by providing access to them on the Platform, but Agent shall not be responsible for system failures or access issues that may occur from time to time. Each Lender agrees (i) that Reports are not intended to be comprehensive audits or examinations, and that Agent or any other Person performing an audit or examination will inspect only limited information and will rely significantly upon Obligors' books, records and representations; (ii) that Agent makes no representation or warranty as to the accuracy or completeness of any Borrower Materials and shall not be liable for any information contained in or omitted from any Borrower Materials, including any Report; and (iii) to keep all Borrower Materials confidential and strictly for such Lender's internal use, not to distribute any Report or other Borrower Materials (or the contents thereof) to any Person (except to such Lender's Participants, attorneys and accountants), and to use all Borrower Materials solely for administration of the Obligations. Each Lender shall indemnify and hold harmless Agent and any other Person preparing a Report from any action such Lender may take as a result of or any conclusion it may draw from any Borrower Materials, as well as from any Claims arising as a direct or indirect result of Agent furnishing same to such Lender, via the Platform or otherwise.

**12.3.** **Reliance By Agent**. Agent shall be entitled to rely, and shall be fully protected in relying, upon any certification, notice or other communication (including those by telephone, telex, telegram, telecopy, e-mail or other electronic means) believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. Agent shall have a reasonable and practicable amount of time to act upon any instruction, notice or other communication under any Loan Document, and shall not be liable for any delay in acting.

**12.4.** **Action Upon Default**. Agent shall not be deemed to have knowledge of any Default or Event of Default, or of any failure to satisfy any conditions in **Section 6**, unless it has received written notice from a Borrower or Required Lenders specifying the occurrence and nature thereof. If a Lender acquires knowledge of a Default, Event of Default or failure of such conditions, it shall promptly notify Agent and the other Lenders thereof in writing. Each Secured Party agrees that, except as otherwise provided in any Loan Documents or with the written consent of Agent and Required Lenders, it will not take any Enforcement Action, accelerate Obligations (other than Secured Bank Product Obligations) or assert any rights relating to any Collateral.

**12.5.** **Ratable Sharing**. If any Lender obtains any payment or reduction of any Obligation, whether through set-off or otherwise, in excess of its ratable share of such Obligation, such Lender shall forthwith purchase from Secured Parties participations in the affected Obligation as are necessary to share the excess payment or reduction on a Pro Rata basis or in accordance with **Section 5.6(b)**, as applicable. If any of such payment or reduction is thereafter recovered from the purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Notwithstanding the foregoing, if a Defaulting Lender obtains a payment or reduction of any Obligation, it shall immediately turn over the full amount thereof to Agent for application under **Section 4.2(b)** and it shall provide a written statement to Agent describing the Obligation affected by such payment or reduction. No Lender shall set off against a Dominion Account without Agent's prior consent.

**12.6.** **Indemnification**. EACH SECURED PARTY SHALL INDEMNIFY AND HOLD HARMLESS AGENT INDEMNITEES AND ISSUING BANK INDEMNITEES, TO THE EXTENT NOT REIMBURSED BY OBLIGORS, ON A PRO RATA BASIS, AGAINST ALL CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST ANY SUCH INDEMNITEE, PROVIDED THAT ANY CLAIM AGAINST AN AGENT INDEMNITEE RELATES TO OR ARISES FROM ITS ACTING AS OR FOR AGENT (IN THE CAPACITY OF AGENT). In Agent's discretion, it may reserve for any Claims made against an Agent Indemnitee or Issuing Bank Indemnitee, and may satisfy any judgment, order or settlement relating thereto, from proceeds of Collateral prior to making any distribution of Collateral proceeds to Secured Parties. If Agent is sued by any receiver, trustee or other Person for any alleged preference or fraudulent transfer, then any monies paid by Agent in settlement or satisfaction of such proceeding, together with all interest, costs and expenses (including attorneys' fees) incurred in the defense of same, shall be promptly reimbursed to Agent by each Secured Party to the extent of its Pro Rata share.

**12.7. Limitation on Responsibilities of Agent**. Agent shall not be liable to any Secured Party for any action taken or omitted to be taken under the Loan Documents, except for losses directly and solely caused by Agent's gross negligence or willful misconduct. Agent does not assume any responsibility for any failure or delay in performance or any breach by any Obligor, Lender or other Secured Party of any obligations under the Loan Documents. Agent does not make any express or implied representation, warranty or guarantee to Secured Parties with respect to any Obligations, Collateral, Liens, Loan Documents or Obligor. No Agent Indemnitee shall be responsible to Secured Parties for any recitals, statements, information, representations or warranties contained in any Loan Documents or Borrower Materials; the execution, validity, genuineness, effectiveness or enforceability of any Loan Documents; the genuineness, enforceability, collectability, value, sufficiency, location or existence of any Collateral, or the validity, extent, perfection or priority of any Lien therein; the validity, enforceability or collectability of any Obligations; or the assets, liabilities, financial condition, results of operations, business, creditworthiness or legal status of any Obligor or Account Debtor. No Agent Indemnitee shall have any obligation to any Secured Party to ascertain or inquire into the existence of any Default or Event of Default, the observance by any Obligor of any terms of the Loan Documents, or the satisfaction of any conditions precedent contained in any Loan Documents.

**12.8. Successor Agent and Co-Agents**.

(a) Resignation; Successor Agent. Agent may resign at any time by giving at least 30 days written notice thereof to Lenders and Borrowers. Required Lenders may appoint a successor to replace the resigning Agent, which successor shall be (i) a Lender or an Affiliate of a Lender; or (ii) a financial institution reasonably acceptable to Required Lenders and (provided no Default or Event of Default exists) Borrowers. If no successor agent is appointed prior to the effective date of Agent's resignation, then Agent may appoint a successor agent that is a financial institution acceptable to it (which shall be a Lender unless no Lender accepts the role) or in the absence of such appointment, Required Lenders shall on such date assume all rights and duties of Agent hereunder. Upon acceptance by any successor Agent of its appointment hereunder, such successor Agent shall thereupon succeed to and become vested with all the powers and duties of the retiring Agent without further act. On the effective date of its resignation, the retiring Agent shall be discharged from its duties and obligations hereunder but shall continue to have all rights and protections under the Loan Documents with respect to actions taken or omitted to be taken by it while Agent, including the indemnification set forth in **Sections 12.6** and **14.2**, and all rights and protections under this **Section 12**. Any successor to Bank of America by merger or acquisition of stock or this loan shall continue to be Agent hereunder without further act on the part of any Secured Party or Obligor.

(b) Co-Collateral Agent. If appropriate under Applicable Law, Agent may appoint a Person to serve as a co- collateral agent or separate collateral agent under any Loan Document. Each right, remedy and protection intended to be available to Agent under the Loan Documents shall also be vested in such agent. Secured Parties shall execute and deliver any instrument or agreement that Agent may request to effect such appointment. If any such agent shall die, dissolve, become incapable of acting, resign or be removed, then all the rights and remedies of the agent, to the extent permitted by Applicable Law, shall vest in and be exercised by Agent until appointment of a new agent.

**12.9. Due Diligence and Non-Reliance**. Each Lender acknowledges and agrees that it has, independently and without reliance upon Agent or any other Lenders, and based upon such documents, information and analyses as it has deemed appropriate, made its own credit analysis of each Obligor and its own decision to enter into this Agreement and to fund Revolver Loans and participate in LC Obligations hereunder. Each Secured Party has made such inquiries as it feels necessary concerning the Loan Documents, Collateral and Obligors. Each Secured Party acknowledges and agrees that the other Secured Parties have made no representations or warranties concerning any Obligor, any Collateral or the legality, validity, sufficiency or enforceability of any Loan Documents or Obligations. Each Secured Party will, independently and without reliance upon any other Secured Party, and based upon such financial statements, documents and information as it deems appropriate at the time, continue to make and rely upon its own credit decisions in making Revolver Loans and participating in LC Obligations, and in taking or refraining from any action under any Loan Documents. Except for notices, reports and other information expressly requested by a Lender, Agent shall have no duty or responsibility to provide any Secured Party with any notices, reports or certificates furnished to Agent by any Obligor or any credit or other information concerning the affairs, financial condition, business or Properties of any Obligor (or any of its Affiliates) which may come into possession of Agent or its Affiliates.

**12.10. Remittance of Payments and Collections**.

(a) Remittances Generally. All payments by any Lender to Agent shall be made by the time and date provided herein, in immediately available funds. If no time for payment is specified or if payment is due on demand and request for payment is made by Agent by 1:00 p.m. (in the Applicable Time Zone) on a Business Day, then payment shall be made by the Secured Party by 3:00 p.m. on such day, and if request is made after 1:00 p.m. (in the Applicable Time Zone), then payment shall be made by 11:00 a.m. (in the Applicable Time Zone) on the next Business Day. Payment by Agent to any Secured Party shall be made by wire transfer, in the type of funds received by Agent. Any such payment shall be subject to Agent's right of offset for any amounts due from such payee under the Loan Documents.

(b) Failure to Pay. If any Secured Party fails to deliver when due any amount payable by it to Agent hereunder, such amount shall bear interest, from the due date until paid in full, at the greater of the Federal Funds Rate or the rate determined by Agent as customary for interbank compensation for two Business Days and thereafter at the Default Rate for Floating Rate Loans. In no event shall Borrowers be entitled to credit for any interest paid by a Secured Party to Agent, nor shall a Defaulting Lender be entitled to interest on amounts held by Agent pursuant to **Section 4.2**.

(c) Recovery of Payments. If Agent pays an amount to a Secured Party in the expectation that a related payment will be received by Agent from an Obligor and such related payment is not received, then Agent may recover such amount from the Secured Party. If Agent determines that an amount received by it must be returned or paid to an Obligor or other Person pursuant to Applicable Law or otherwise, then Agent shall not be required to distribute such amount to any Secured Party. If Agent is required to return any amounts applied by it to Obligations held by a Secured Party, such Secured Party shall pay to Agent, **on demand**, its share of the amounts required to be returned.

**12.11.** **Individual Capacities**. As a Lender, Bank of America shall have the same rights and remedies under the Loan Documents as any other Lender, and the terms "Lenders," "Required Lenders" or any similar term shall include Bank of America in its capacity as a Lender. Agent, Lenders and their Affiliates may accept deposits from, lend money to, provide Bank Products to, act as financial or other advisor to, and generally engage in any kind of business with, Obligors and their Affiliates, as if they were not Agent or Lenders hereunder, without any duty to account therefor to any Secured Party. In their individual capacities, Agent, Lenders and their Affiliates may receive information regarding Obligors, their Affiliates and their Account Debtors (including information subject to confidentiality obligations), and shall have no obligation to provide such information to any Secured Party.

**12.12.** **Titles**. Each Lender, other than Bank of America, that is designated in connection with this credit facility as an "Arranger," "Bookrunner" or "Agent" of any kind shall have no right or duty under any Loan Documents other than those applicable to all Lenders, and shall in no event have any fiduciary duty to any Secured Party.

**12.13.** **Bank Product Providers**. Each Secured Bank Product Provider, by delivery of a notice to Agent of a Bank Product, agrees to be bound by the Loan Documents, including **Sections 5.6**, **14.3(c)** and **12**. Each Secured Bank Product Provider shall indemnify and hold harmless Agent Indemnitees, to the extent not reimbursed by Obligors, against all Claims that may be incurred by or asserted against any Agent Indemnitee in connection with such provider's Secured Bank Product Obligations.

**12.14.** **No Third Party Beneficiaries**. This **Section 12** is an agreement solely among Secured Parties and Agent, and shall survive Full Payment of the Obligations. This **Section 12** does not confer any rights or benefits upon Borrowers or any other Person. As between Borrowers and Agent, any action that Agent may take under any Loan Documents or with respect to any Obligations shall be conclusively presumed to have been authorized and directed by Secured Parties.

**12.15.** **Quebec Liens (Hypothecs)**. In its capacity as Agent, for the purposes of holding any hypothec granted pursuant to the laws of the Province of Québec, each of the Secured Parties hereby irrevocably appoints and authorizes Agent and, to the extent necessary, ratifies the appointment and authorization of Agent, to act as the hypothecary representative of the applicable Secured Parties as contemplated under Article 2692 of the Civil Code of Québec, and to enter into, to take and to hold on their behalf, and for their benefit, any hypothec, and to exercise such powers and duties that are conferred upon Agent under any related deed of hypothec. Agent shall have the sole and exclusive right and authority to exercise, except as may be otherwise specifically restricted by the terms hereof, all rights and remedies given to Agent pursuant to any such deed of hypothec and Applicable Law. Any person who becomes a Secured Party shall, by its execution of an Assignment and Acceptance, be deemed to have consented to and confirmed Agent as the person acting as hypothecary representative holding the aforesaid hypothecs as aforesaid and to have ratified, as of the date it becomes a Secured Party, all actions taken by Agent in such capacity. The substitution of Agent pursuant to the provisions of this **Section 12** also constitute the substitution of Agent as hypothecary representative as aforesaid.

**SECTION 13. BENEFIT OF AGREEMENT; ASSIGNMENTS**

**13.1.** **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of Obligors, Agent, Lenders, Secured Parties, and their respective successors and assigns, except that (a) no Obligor shall have the right to assign its rights or delegate its obligations under any Loan Documents; and (b) any assignment by a Lender must be made in compliance with **Section 13.3**. Agent may treat the Person which made any Revolver Loan as the owner thereof for all purposes until such Person makes an assignment in accordance with **Section 13.3**. Any authorization or consent of a Lender shall be conclusive and binding on any subsequent transferee or assignee of such Lender.

**13.2.** **Participations**.

(a) Permitted Participants; Effect. Subject to **Section 13.3(c)**, any Lender may sell to a financial institution ("Participant") a participating interest in the rights and obligations of such Lender under any Loan Documents. Despite any sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, it shall remain solely responsible to the other parties hereto for performance of such obligations, it shall remain the holder of its Revolver Loans and Revolver Commitments for all purposes, all amounts payable by Obligors shall be determined as if it had not sold such participating interests, and Obligors and Agent shall continue to deal solely and directly with such Lender in connection with the Loan Documents. Each Lender shall be solely responsible for notifying its Participants of any matters under the Loan Documents, and Agent and the other Lenders shall not have any obligation or liability to any such Participant. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of **Section 5.9** unless Borrowers agree otherwise in writing.

(b) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, waiver or other modification of a Loan Document other than that which forgives principal, interest or fees, reduces the stated interest rate or fees payable with respect to any Revolver Loan or Revolver Commitment in which such Participant has an interest, postpones the Commitment Termination Date or any date fixed for any regularly scheduled payment of principal, interest or fees on such Revolver Loan or Revolver Commitment, or releases any Borrower, Guarantor or substantially all Collateral.

(c) Participant Register. Each Lender that sells a participation shall, acting as a non-fiduciary agent of Borrowers, maintain a register in which it enters the Participant's name, address and interest in Revolver Commitments, Revolver Loans (and stated interest) and LC Obligations. Entries in the register shall be conclusive, absent manifest error, and such Lender shall treat each Person recorded in the register as the owner of the participation for all purposes, notwithstanding any notice to the contrary. The parties hereto agree and intend that the LC Obligations shall be treated as being in "registered form" for the purposes of the Code. No Lender shall have an obligation to disclose any information in such register except to the extent necessary to establish that a Participant's interest is in registered form under the Code. For the avoidance of doubt, Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant register.

(d) Benefit of Setoff. Obligors agree that each Participant shall have a right of set-off in respect of its participating interest to the same extent as if such interest were owing directly to a Lender, and each Lender shall also retain the right of set-off with respect to any participating interests sold by it. By exercising any right of set-off, a Participant agrees to share with Lenders all amounts received through its set-off, in accordance with **Section 12.5** as if such Participant were a Lender.

**13.3. Assignments**.

(a) Permitted Assignments. A Lender may assign to an Eligible Assignee any of its rights and obligations under the Loan Documents, as long as (i) each assignment is of a constant, and not a varying, percentage of the transferor Lender's rights and obligations under the Loan Documents and, in the case of a partial assignment, is in a minimum principal amount of $5,000,000 (unless otherwise agreed by Agent in its discretion) and integral multiples of $1,000,000 in excess of that amount; (ii) except in the case of an assignment in whole of a Lender's rights and obligations, the aggregate amount of the Revolver Commitments retained by the transferor Lender is at least $5,000,000 (unless otherwise agreed by Agent in its discretion); and (iii) the parties to each such assignment shall execute and deliver an Assignment and Acceptance to Agent for acceptance and recording. Nothing herein shall limit the right of a Lender to pledge or assign any rights under the Loan Documents to secure obligations of such Lender, including a pledge or assignment to a Federal Reserve Bank; provided, however, that no such pledge or assignment shall release the Lender from its obligations hereunder nor substitute the pledge or assignee for such Lender as a party hereto.

(b) Effect; Effective Date. Upon delivery to Agent of an assignment notice in the form of **Exhibit B** and a processing fee of $3,500 (unless otherwise agreed by Agent in its discretion), the assignment shall become effective as specified in the notice, if it complies with this **Section 13.3**. From such effective date, the Eligible Assignee shall for all purposes be a Lender under the Loan Documents, and shall have all rights and obligations of a Lender thereunder. Upon consummation of an assignment, the transferor Lender, Agent and Borrowers shall make appropriate arrangements for issuance of replacement and/or new notes, if applicable. The transferee Lender shall comply with **Section 5.10** and deliver, upon request, an administrative questionnaire satisfactory to Agent.

(c) Certain Assignees. No assignment or participation may be made to an Obligor, Affiliate of an Obligor, Defaulting Lender or natural person. Agent shall have no obligation to determine whether any assignment is permitted under the Loan Documents. Any assignment by a Defaulting Lender must be accompanied by satisfaction of its outstanding obligations under the Loan Documents in a manner satisfactory to Agent, including payment by the Defaulting Lender or Eligible Assignee of an amount sufficient upon distribution (through direct payment, purchases of participations or other methods acceptable to Agent in its discretion) to satisfy all funding and payment liabilities of the Defaulting Lender. If any assignment by a Defaulting Lender (by operation of law or otherwise) does not comply with the foregoing, the assignee shall be deemed a Defaulting Lender for all purposes until compliance occurs.

(d) Register. Agent, acting as a non-fiduciary agent of Borrowers, shall maintain (a) a copy (or electronic equivalent) of each Assignment and Acceptance delivered to it, and (b) a register for recordation of the names, addresses and Revolver Commitments of, and the principal amounts (and stated interest) of the Revolver Loans, interest and LC Obligations owing to, each Lender. Entries in the register shall be conclusive, absent manifest error, and Borrowers, Agent and Lenders shall treat each Person recorded in such register as a Lender for all purposes under the Loan Documents, notwithstanding any notice to the contrary. Agent may choose to show only one Borrower as the borrower in the register, without any effect on the liability of any Obligor with respect to the Obligations. The register shall be available for inspection by Borrowers or any Lender, from time to time upon reasonable notice. The parties hereto agree and intend that the Obligations shall be treated as being in "registered form" for the purposes of the Code.

**13.4.** **Replacement of Certain Lenders**. If a Lender (a) within the last 120 days failed to give its consent to any amendment, waiver or action for which consent of all Lenders was required and Canadian Required Lenders or U.S. Required Lenders, as applicable, consented, (b) is a Defaulting Lender, or (c) within the last 120 days gave a notice under **Section 3.5** or requested payment or compensation under **Section 3.7** or **5.9** (and has not designated a different Lending Office pursuant to **Section 3.8**), then Agent or Borrower Agent may, at Borrower's sole expense, upon 10 days notice to such Lender and Agent, require such Lender to assign its rights and obligations under the Loan Documents to Eligible Assignee(s), pursuant to appropriate Assignment and Acceptance(s), within 20 days after the notice. Agent is irrevocably appointed as attorney-in-fact to execute any such Assignment and Acceptance if the Lender fails to execute it. Such Lender shall be entitled to receive, in cash, concurrently with such assignment, all amounts owed to it under the Loan Documents through the date of assignment. A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower Agent to require such assignment and delegation cease to apply.

**SECTION 14. MISCELLANEOUS**

**14.1.** **Consents, Amendments and Waivers**.

(a) Amendment. No modification of any Loan Document, including any extension or amendment of a Loan Document or any waiver of a Default or Event of Default, shall be effective without the prior written agreement of Agent (with the consent of Required Lenders) and each Obligor party to such Loan Document; provided, however, that

(i) without the prior written consent of Agent, no modification shall alter any provision in a Loan Document that relates to any rights, duties or discretion of Agent;

(ii) without the prior written consent of Issuing Bank, no modification shall alter **Section 2.3** or any other provision in a Loan Document that relates to Letters of Credit or any rights, duties or discretion of Issuing Bank;

(iii) without the prior written consent of each affected Lender, including a Defaulting Lender, no modification shall (A) increase the Revolver Commitment of such Lender; (B) reduce the amount of, or waive or delay payment of, any principal, interest or fees payable to such Lender (except as provided in **Section 4.2**); (C) extend the Revolver Termination Date applicable to such Lender's Obligations; or (D) amend this clause (iii);

(iv) without the prior written consent of all Canadian Lenders (except any Canadian Lender which is a Defaulting Lender), no modification shall (A) alter **Section 5.6(b)**, **7.1** (except to add Collateral) or **14.1(a)**; (B) amend the definition of Canadian Borrowing Base, Canadian Accounts Formula Amount, or Canadian Inventory Formula Amount (or any defined term used in such definition) if the effect of such amendment is to increase borrowing availability of Canadian Borrowers, Pro Rata or Canadian Required Lenders; (C) release all or substantially all Canadian Collateral; or (D) except in connection with a merger, amalgamation, disposition or similar transaction expressly permitted hereby, release any Canadian Obligor from liability for any Canadian Obligations;

(v) without the prior written consent of all U.S. Lenders (except any U.S. Lender which is a Defaulting Lender), no modification shall (A) alter **Section 5.6(b)**, **7.1** (except to add Collateral) or **14.1.1**; (B) amend the definition of U.S. Borrowing Base, U.S. Accounts Formula Amount, or U.S. Inventory Formula Amount (or any defined term used in such definition) if the effect of such amendment is to increase borrowing availability for U.S Borrowers, Pro Rata or U.S. Required Lenders; (C) release all or substantially all U.S. Collateral; or (D) except in connection with a merger, amalgamation, disposition or similar transaction expressly permitted hereby, release any U.S. Obligor from liability for any Obligations; and

(vi) without the prior written consent of a Secured Bank Product Provider, no modification shall affect its relative payment priority under **Section 5.6(b)**.

(vii) if Real Estate secures any Obligations, no modification of a Loan Document shall add, increase, renew or extend any credit line unless the conditions set forth in **Section 7.4(c)** are satisfied.

Notwithstanding the foregoing, (x) any provision of this Agreement may be amended by an agreement in writing entered into by Obligors, the Required Lenders and Agent (and, if their rights or obligations are affected thereby, Issuing Bank) if (i) by the terms of such agreement the Revolver Commitment of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment (including pursuant to an assignment to a replacement Lender in accordance with **Section 13.4**) in full of this principal of and interest accrued on each Revolver Loan made by it and all other amounts owing to it or accrued for its account under this Agreement and (y) this Agreement and any other Loan Document may be amended, modified or supplemented solely with the consent of Agent and Obligors, each in their sole discretion, without the need to obtain the consent of any other Lender if such amendment, modification or supplement is delivered in order to cure ambiguities, defects, errors, mistakes, omissions in this Agreement or the applicable Loan Document.

(b) Limitations. The agreement of Obligors shall not be required for any modification of a Loan Document that deals solely with the rights and duties of Lenders, Agent and/or Issuing Bank as among themselves. Only the consent of the parties to any agreement relating to fees or a Bank Product shall be required for modification of such agreement, and no Bank Product provider (in such capacity) shall have any right to consent to modification of any Loan Document other than its Bank Product agreement. Any waiver or consent granted by Agent or Lenders hereunder shall be effective only if in writing and only for the matter specified.

(c) Payment for Consents. No Obligor will, directly or indirectly, pay any remuneration or other thing of value, whether by way of additional interest, fee or otherwise, to any Lender (in its capacity as a Lender hereunder) as consideration for agreement by such Lender with any modification of any Loan Documents, unless such remuneration or value is concurrently paid, on the same terms, on a Pro Rata basis to all Lenders providing their consent.

**14.2. Indemnity**. EACH OBLIGOR SHALL INDEMNIFY AND HOLD HARMLESS THE INDEMNITEES AGAINST ANY CLAIMS THAT MAY BE INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE, INCLUDING CLAIMS ASSERTED BY ANY OBLIGOR OR OTHER PERSON OR ARISING FROM THE NEGLIGENCE OF AN INDEMNITEE. In no event shall any party to a Loan Document have any obligation thereunder to indemnify or hold harmless an Indemnitee with respect to a Claim that is determined in a final, non-appealable judgment by a court of competent jurisdiction to result from the gross negligence or willful misconduct of such Indemnitee.

**14.3. Notices and Communications**.

(a) Notice Address. Subject to **Section 14.3(b)**, all notices and other communications by or to a party hereto shall be in writing and shall be given to any Obligor, at Borrower Agent's address shown on the signature pages hereof, and to any other Person at its address shown on the signature pages hereof (or, in the case of a Person who becomes a Lender after the Closing Date, at the address shown on its Assignment and Acceptance), or at such other address as a party may hereafter specify by notice in accordance with this **Section 14.3**. Each communication shall be effective only (i) if given by facsimile transmission, when transmitted to the applicable facsimile number, if confirmation of receipt is received; (ii) if given by mail, three Business Days after deposit in the U.S. mail, with first-class postage pre-paid, addressed to the applicable address; or (iii) if given by personal delivery, when duly delivered to the notice address with receipt acknowledged. Notwithstanding the foregoing, no notice to Agent pursuant to **Section 2.1(d)**, **2.3**, **3.1(b)**, **4.1(a)**, or **4.3(b)** shall be effective until actually received by the individual to whose attention at Agent such notice is required to be sent. Any written communication that is not sent in conformity with the foregoing provisions shall nevertheless be effective on the date actually received by the noticed party. Any notice received by Borrower Agent shall be deemed received by all Obligors.

(b) Communications. Electronic and telephonic communications (including e-mail, messaging and websites) may be used only in a manner acceptable to Agent and only for routine communications, such as delivery of Borrower Materials, administrative matters, distribution of Loan Documents and matters permitted under **Section 4.1(d)**. Secured Parties make no assurance as to the privacy or security of electronic or telephonic communications. E-mail and voice mail shall not be effective notices under the Loan Documents.

(c) Platform. Borrower Materials shall be delivered pursuant to procedures approved by Agent, including electronic delivery (if possible) upon request by Agent to an electronic system maintained by Agent ("Platform"). Borrowers shall notify Agent of each posting of Borrower Materials on the Platform and the materials shall be deemed received by Agent only upon its receipt of such notice. Borrower Materials and other information relating to this credit facility may be made available to Secured Parties on the Platform. The Platform is provided "as is" and "as available." Agent does not warrant the accuracy or completeness of any information on the Platform nor the adequacy or functioning of the Platform, and expressly disclaims liability for any errors or omissions in the Borrower Materials or any issues involving the Platform. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY AGENT WITH RESPECT TO BORROWER MATERIALS OR THE PLATFORM. No Agent Indemnitee shall have any liability to Obligors, Secured Parties or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) relating to use by any Person of the Platform, including any unintended recipient, nor for delivery of Borrower Materials and other information via the Platform, internet, e-mail, or any other electronic platform or messaging system.

(d) Public Information. Obligors and Secured Parties acknowledge that "public" information may not be segregated from material non-public information on the Platform. Secured Parties acknowledge that Borrower Materials may include Obligors' material non-public information, and should not be made available to personnel who do not wish to receive such information or may be engaged in investment or other market-related activities with respect to an Obligor's securities.

(e) Non-Conforming Communications. Agent and Lenders may rely upon any communications purportedly given by or on behalf of any Obligor even if they were not made in a manner specified herein, were incomplete or were not confirmed, or if the terms thereof, as understood by the recipient, varied from a later confirmation. Each Obligor shall indemnify and hold harmless each Indemnitee from any liabilities, losses, costs and expenses arising from any electronic or telephonic communication purportedly given by or on behalf of an Obligor.

**14.4. Performance of Borrowers' Obligations**. Agent may, in its discretion at any time and from time to time, at Obligors' expense, pay any amount or do any act required of a Borrower under any Loan Documents or otherwise lawfully requested by Agent to (a) enforce any Loan Documents or collect any Obligations; (b) protect, insure, maintain or realize upon any Collateral; or (c) defend or maintain the validity or priority of Agent's Liens in any Collateral, including any payment of a judgment, insurance premium, warehouse charge, finishing or processing charge, or landlord claim, or any discharge of a Lien. All payments, costs and expenses (including Extraordinary Expenses) of Agent under this Section shall be reimbursed to Agent by Obligors, **on demand**, with interest from the date incurred until paid in full, at the Default Rate applicable to Floating Loans, as applicable. Any payment made or action taken by Agent under this Section shall be without prejudice to any right to assert an Event of Default or to exercise any other rights or remedies under the Loan Documents.

**14.5.** **Credit Inquiries**. Agent and Lenders may (but shall have no obligation) to respond to usual and customary credit inquiries from third parties concerning any Obligor or Subsidiary.

**14.6.** **Severability**. Wherever possible, each provision of the Loan Documents shall be interpreted in such manner as to be valid under Applicable Law. If any provision is found to be invalid under Applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of the Loan Documents shall remain in full force and effect.

**14.7.** **Cumulative Effect; Conflict of Terms**. The provisions of the Loan Documents are cumulative. The parties acknowledge that the Loan Documents may use several limitations or measurements to regulate similar matters, and they agree that these are cumulative and that each must be performed as provided. Except as otherwise provided in another Loan Document (by specific reference to the applicable provision of this Agreement), if any provision contained herein is in direct conflict with any provision in another Loan Document, the provision herein shall govern and control.

**14.8.** **Counterparts; Execution**. Any Loan Document may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when Agent has received counterparts bearing the signatures of all parties hereto. Agent may (but shall have no obligation to) accept any signature, contract formation or record-keeping through electronic means, which shall have the same legal validity and enforceability as manual or paper-based methods, to the fullest extent permitted by Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any similar state law based on the Uniform Electronic Transactions Act. Upon request by Agent, any electronic signature or delivery shall be promptly followed by a manually executed or paper document.

**14.9.** **Entire Agreement**. Time is of the essence with respect to all Loan Documents and Obligations. The Loan Documents constitute the entire agreement, and supersede all prior understandings and agreements, among the parties relating to the subject matter thereof.

**14.10.** **Relationship with Lenders**. The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or Revolver Commitments of any other Lender. Amounts payable hereunder to each Lender shall be a separate and independent debt. It shall not be necessary for Agent or any other Lender to be joined as an additional party in any proceeding for such purposes. Nothing in this Agreement and no action of Agent, Lenders or any other Secured Party pursuant to the Loan Documents or otherwise shall be deemed to constitute Agent and any Secured Party to be a partnership, joint venture or similar arrangement, nor to constitute control of any Obligor.

**14.11.** **No Advisory or Fiduciary Responsibility**. In connection with all aspects of each transaction contemplated by any Loan Document, Obligors acknowledge and agree that (a)(i) this credit facility and any arranging or other services by Agent, any Lender, any of their Affiliates or any arranger are arm's-length commercial transactions between Obligors and their Affiliates, on one hand, and Agent, any Lender, any of their Affiliates or any arranger, on the other hand; (ii) Obligors have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate; and (iii) Obligors are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated by the Loan Documents; (b) each of Agent, Lenders, their Affiliates and any arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for Obligors, their Affiliates or any other Person, and has no obligation with respect to the transactions contemplated by the Loan Documents except as expressly set forth therein; and (c) Agent, Lenders, their Affiliates and any arranger may be engaged in a broad range of transactions that involve interests that differ from those of Obligors and their Affiliates, and have no obligation to disclose any of such interests to Obligors or their Affiliates. To the fullest extent permitted by Applicable Law, each Obligor hereby waives and releases any claims that it may have against Agent, Lenders, their Affiliates and any arranger with respect to any breach of agency or fiduciary duty in connection with any transaction contemplated by a Loan Document.

**14.12.** **Confidentiality**. Each of Agent, Lenders and Issuing Bank shall maintain the confidentiality of all Information (as defined below), except that Information may be disclosed (a) to its Affiliates, and to its and their partners, directors, officers, employees, agents, advisors, investors (actual and/or prospective), lenders (actual and/or prospective) and representatives (provided they are informed of the confidential nature of the Information and instructed to keep it confidential); (b) to the extent requested by any governmental, regulatory or self-regulatory authority purporting to have jurisdiction over it or its Affiliates; (c) to the extent required by Applicable Law or by any subpoena or other legal process; (d) to any other party hereto; (e) in connection with any action or proceeding relating to any Loan Documents or Obligations; (f) subject to an agreement containing provisions substantially the same as this Section, to any Transferee or any actual or prospective party (or its advisors) to any Bank Product or to any swap, derivative or other transaction under which payments are to be made by reference to an Obligor or Obligor's obligations; (g) to the extent such Information (i) with the consent of Borrower Agent; (j) to a Person that is a trustee, investment advisor, collateral manager, servicer, noteholder or secured party in a Securitization (as hereinafter defined) in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization and (k) otherwise to the extent consisting of general portfolio information that does not identify Obligors. For the purposes of this Section, "Securitization" shall mean a public or private offering by a Lender or any of its Affiliates or their respective successors and assigns, of Equity Interests which represent an interest in, or which are collateralized, in whole or in party, by the Revolver Loans. Notwithstanding the foregoing, Agent and Lenders may publish or disseminate general information concerning this credit facility for league table, tombstone and advertising purposes, and may use Obligors' logos, trademarks or product photographs in advertising materials. As used herein, "Information" means information received from an Obligor or Subsidiary relating to it or its business that is identified as confidential when delivered. A Person required to maintain the confidentiality of Information pursuant to this Section shall be deemed to have complied if it exercises a degree of care similar to that accorded its own confidential information. Each of Agent, Lenders and Issuing Bank acknowledges that (i) Information may include material non-public information; (ii) it has developed compliance procedures regarding the use of such information; and (iii) it will handle the material non-public information in accordance with Applicable Law.

**14.13.** **Certifications Regarding Term Loan Documents**. The Obligors certify to Agent and Lenders that neither the execution nor performance of the Loan Documents nor the incurrence of any Obligations by Obligors violates any Term Loan Document.

**14.14.** **GOVERNING LAW**. UNLESS EXPRESSLY PROVIDED IN ANY LOAN DOCUMENT, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL CLAIMS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES EXCEPT FEDERAL LAWS RELATING TO NATIONAL BANKS.

**14.15.** **Consent to Forum; Bail-In of EEA Financial Institutions**.

(a) Forum. EACH OBLIGOR HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT SITTING IN THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, IN ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING RELATING IN ANY WAY TO ANY LOAN DOCUMENTS, AND AGREES THAT ANY DISPUTE, ACTION, LITIGATION OR OTHER PROCEEDING SHALL BE BROUGHT BY IT SOLELY IN ANY SUCH COURT. EACH OBLIGOR IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL CLAIMS, OBJECTIONS AND DEFENSES THAT IT MAY HAVE REGARDING ANY SUCH COURT'S PERSONAL OR SUBJECT MATTER JURISDICTION, VENUE OR INCONVENIENT FORUM. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN **SECTION 14.3(a)**. A final judgment in any proceeding of any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or any other manner provided by Applicable Law.

(b) Other Jurisdictions . Nothing herein shall limit the right of Agent or any Lender to bring proceedings against any Obligor in any other court, nor limit the right of any party to serve process in any other manner permitted by Applicable Law. Nothing in this Agreement shall be deemed to preclude enforcement by Agent of any judgment or order obtained in any forum or jurisdiction.

(c) Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties, each party hereto (including each Secured Party) acknowledges that any liability arising under a Loan Document of any Secured Party that is an EEA Financial Institution, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority, and agrees and consents to, and acknowledges and agrees to be bound by, (i) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising under any Loan Documents which may be payable to it by any Secured Party that is an EEA Financial Institution; and (ii) the effects of any Bail-in Action on any such liability, including (A) a reduction in full or in part or cancellation of any such liability; (B) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under any Loan Document; or (C) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

**14.16.** **Waivers by Obligors**. To the fullest extent permitted by Applicable Law, each Obligor waives (a) the right to trial by jury (which Agent, Issuing Bank and each Lender hereby also waive) in any proceeding or dispute of any kind relating in any way to any Loan Documents, Obligations or Collateral; (b) presentment, demand, protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper and guaranties at any time held by Agent on which an Obligor may in any way be liable, and hereby ratifies anything Agent may do in this regard; (c) notice prior to taking possession or control of any Collateral; (d) any bond or security that might be required by a court prior to allowing Agent to exercise any rights or remedies; (e) the benefit of all valuation, appraisement and exemption laws; (f) any claim against Agent, Issuing Bank or any Lender, on any theory of liability, for special, indirect, consequential, exemplary or punitive damages (as opposed to direct or actual damages) in any way relating to any Enforcement Action, Obligations, Loan Documents or transactions relating thereto; and (g) notice of acceptance hereof. Each Obligor acknowledges that the foregoing waivers are a material inducement to Agent, Issuing Bank and Lenders entering into this Agreement and that they are relying upon the foregoing in their dealings with Obligors. Each Obligor has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial and other rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

**14.17.** **Patriot Act Notice**. Agent and Lenders hereby notify Obligors that pursuant to the Patriot Act, Agent and Lenders are required to obtain, verify and record information that identifies each Obligor, including its legal name, address, tax ID number and other information that will allow Agent and Lenders to identify it in accordance with the Patriot Act. Agent and Lenders will also require information regarding any personal guarantor and may require information regarding Obligors' management and owners, such as legal name, address, social security number and date of birth. Obligors shall, promptly upon request, provide all documentation and other information as Agent, Issuing Bank or any Lender may request from time to time in order to comply with any obligations under any "know your customer," anti-money laundering or other requirements of Applicable Law.

**14.18.** **NO ORAL AGREEMENT**. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.

**14.19.** **Assumption by Holdings and Successor Borrower**. Immediately following the consummation of the Share Acquisition and satisfaction of the Share Acquisition Conditions, (a) Holdings shall cause each of Eddi and EWGS to duly execute and deliver to Agent the Assumption Agreement and cause Eddi to assume the rights and obligations of EWGS hereunder as a Canadian Borrower, (b) EWGS shall duly execute and deliver to Agent the Assumption Agreement and become a Canadian Guarantor hereunder and under each other Loan Document applicable to it, and (c) Holdings shall cause each of Eddi and EWGS to duly execute and deliver to Agent each of the agreements, instruments and certificates listed in **Section 6.1** to which EWGS or Eddi is, or is contemplated to be, a party. Immediately upon the completion of the actions set forth in **clauses (a)**, **(b)** and **(c)** above, (x) EWGS shall be automatically released from its obligations as a Canadian Borrower hereunder and shall instead assume the obligations as a Canadian Guarantor hereunder and under the other Loan Documents and (y) Eddi shall become a Canadian Borrower hereunder and under the other Loan Documents. Upon the reasonable request by Agent, Obligors shall take such additional actions and execute such documents as Agent may reasonably request to implement the transactions contemplated by the Assumption Agreement and to reflect the assumption by Eddi of the obligations of EWGS contemplated thereby. Until the Share Acquisition Conditions have been satisfied and Eddi has become a Canadian Borrower as set forth above, EWGS shall not (1) make any requests for Revolver Loans, (2) have any of its Accounts or Inventory in the Canadian Borrowing Base and (3) shall not be deemed an Obligor for the purposes of **Section 10.2**.

**14.20.** **Canadian Anti-Money Laundering Legislation**. If Agent has ascertained the identity of any Obligor or any authorized signatories of any Obligor for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and other anti-terrorism laws and "know your client" policies, regulations, laws or rules applicable in Canada (the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and such other anti-terrorism laws, applicable policies, regulations, laws or rules in Canada, collectively, including any guidelines or orders thereunder, "AML Legislation"), then Agent:

(a) shall be deemed to have done so as an agent for each Lender and this Agreement shall constitute a "written agreement" in such regard between each Lender and Agent within the meaning of the applicable AML Legislation; and

(b) shall provide to the Lenders, copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

Notwithstanding the preceding sentence and except as may otherwise be agreed in writing, each Lender agrees that Agent has no obligation to ascertain the identity of the Obligors or any authorized signatories of the Obligors on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from any Obligor or any such authorized signatory in doing so.

**14.21. INTERCREDITOR AGREEMENT**.

(a) EACH LENDER PARTY HERETO (i) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (ii) AUTHORIZES AND DIRECTS AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (iii) AGREES THAT ANY ACTION TAKEN BY AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

(b) THE PROVISIONS OF THIS **SECTION 14.21** ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT THEMSELVES TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NO AGENT OR ANY OF AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM AGENT.

(c) THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE OBLIGORS AS PARTY THERETO. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

(d) IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**14.22. Amendment and Restatement of Original Loan Agreement**. This Agreement constitutes an amendment and restatement of the Original Loan Agreement effective from and after the Closing Date. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are not intended by the parties to be, and shall not constitute, a novation or an accord and satisfaction of the Obligations or any other obligations owing to Agent or Lenders under the Original Loan Agreement or any other existing Original Loan Document. On the Closing Date, the credit facilities and the terms and conditions thereof described in the Original Loan Agreement shall be amended and replaced in their entirety by the credit facilities and the terms and conditions described herein, and all Revolver Loans and other Obligations of the Obligors outstanding as of such date under the Original Loan Agreement shall be deemed to be Revolver Loans, Letters of Credit and Obligations outstanding under the corresponding facilities described herein (such that all Obligations which are outstanding on the Closing Date under the Original Loan Agreement shall become Obligations under this Agreement), without further action by any Person. Each of the parties hereto hereby acknowledges and agrees that the grant of the security interests in the Collateral pursuant to the this Agreement and in any other Loan Document (unless explicitly agreed to by Lender in writing) is not intended to, nor shall it be construed, as constituting a release of any prior security interests granted by the Obligors in favor of Lender in or to any Collateral or any other property of Obligors, but is intended to constitute a restatement and reconfirmation of the prior security interests granted by Obligors in favor of Lender in and to the Collateral and a grant of a new security interest in any Collateral that is not included in the prior security grants by Obligors and in favor of Lender to the extent such grant was not included in the prior security grants.

[Remainder of page intentionally left blank; signatures begin on following page]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**WJCO LLC,**
a Colorado limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**GS DISTRIBUTION INC.,**
a British Columbia corporation

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EWGS DISTRIBUTION INC.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT
(HYDROFARM, LLC)
Signature Page

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and U.S. Lender

By: /s/ Carin C. Julsgard
Name: Carin C. Julsgard
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1300
Los Angeles, CA 90071-1406
Attn: Matthew R. Van Steenhuyse
Telecopy: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

EXHIBIT A
to
Amended and Restated Loan and Security Agreement

**ASSIGNMENT AND ACCEPTANCE**

Reference is made to (1) the Amended and Restated Loan and Security Agreement dated as of November 8, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company (" Holdings"); Hydrofarm, LLC, a California limited liability company ("Hydrofarm" or "Borrower Agent"), EHH Holdings, LLC, a Delaware limited liability company (" EHH"), SunBlaster LLC, a Delaware limited liability company ("SunBlaster"), WJCO LLC, a Colorado limited liability company ("WJCO"), GS Distribution Inc., a British Columbia corporation ("GS"), SunBlaster Holdings ULC, a British Columbia unlimited liability company ("SH "), and Eddi's Wholesale Garden Supplies Ltd., a British Columbia company as successor to EWGS Distribution Inc. ("EWG" and together with Holdings, Hydrofarm, EHH, SunBlaster, WJCO, GS, SH and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to **Section 10.1(i)** of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent").

_____ ("Assignor") and _____ ("Assignee") agree as follows:

1. Assignor hereby assigns to Assignee and Assignee hereby purchases and assumes from Assignor (a) a principal amount of $_____ of Assignor's outstanding Revolver Loans and $_____ of Assignor's participations in LC Obligations and (b) the amount of $_____of Assignor's Revolver Commitment (which represents ____% of the total Revolver Commitments) (the foregoing items being, collectively, the "Assigned Interest"), together with an interest in the Loan Documents corresponding to the Assigned Interest. This Agreement shall be effective as of the date ("Effective Date") indicated in the corresponding Assignment Notice delivered to Agent, provided such Assignment Notice is executed by Assignor, Assignee, Agent and Borrower Agent, if applicable. From and after the Effective Date, Assignee hereby expressly assumes, and undertakes to perform, all of Assignor's obligations in respect of the Assigned Interest, and all principal, interest, fees and other amounts which would otherwise be payable to or for Assignor's account in respect of the Assigned Interest shall be payable to or for Assignee's account, to the extent such amounts accrue on or after the Effective Date.

2. Assignor (a) represents that as of the date hereof, prior to giving effect to this assignment, its Revolver Commitment is $_____, the outstanding balance of its Revolver Loans and participations in LC Obligations is $_____,; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto, other than that Assignor is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; and (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Obligors or the performance by Obligors of their obligations under the Loan Documents. *[Assignor is attaching the promissory note[s] held by it and requests that Agent exchange such note[s] for new promissory notes payable to Assignee [and Assignor].]*

3. Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received copies of the Loan Agreement and such other Loan Documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it shall, independently and without reliance upon Assignor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; (d) confirms that it is an Eligible Assignee; (e) appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to Agent by the terms thereof, together with such powers as are incidental thereto; (f) agrees that it will observe and perform all obligations that are required to be performed by it as a "Lender" under the Loan Documents; and (g) represents and warrants that the assignment evidenced hereby will not result in a non-exempt "prohibited transaction" under Section 406 of ERISA.

4. This Agreement shall be governed by the laws of the State of New York. If any provision is found to be invalid under Applicable Law, it shall be ineffective only to the extent of such invalidity and the remaining provisions of this Agreement shall remain in full force and effect.

5. Each notice or other communication hereunder shall be in writing, shall be sent by messenger, by telecopy or facsimile transmission, or by first-class mail, shall be deemed given when sent and shall be sent as follows:

(a) If to Assignee, to the following address (or to such other address as Assignee may designate from time to time):

_____
_____
_____
_____

(b) If to Assignor, to the following address (or to such other address as Assignor may designate from time to time):

_____
_____
_____
_____

Payments hereunder shall be made by wire transfer of immediately available Dollars as follows:

If to Assignee, to the following account (or to such other account as Assignee may designate from time to time):

_____
_____
_____
_____
ABA No. _____
_____
Account No. _____
Reference: _____

If to Assignor, to the following account (or to such other account as Assignor may designate from time to time):

_____
_____
_____
_____
ABA No. _____
_____
Account No. _____
Reference: _____

**IN WITNESS WHEREOF**, this Assignment and Acceptance is executed as of_____.

_____
("Assignee")

By: _____
Title:

_____
("Assignor")

By: _____
Title:

EXHIBIT B
to
Amended and Restated Loan and Security Agreement

**ASSIGNMENT NOTICE**

Reference is made to (1) the Amended and Restated Loan and Security Agreement dated as of November 8, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company (" Holdings"); Hydrofarm, LLC, a California limited liability company ("Hydrofarm" or "Borrower Agent"), EHH Holdings, LLC, a Delaware limited liability company (" EHH"), SunBlaster LLC, a Delaware limited liability company ("SunBlaster"), WJCO LLC, a Colorado limited liability company ("WJCO"), GS Distribution Inc., a British Columbia company ("GS "), SunBlaster Holdings ULC, a British Columbia unlimited liability company ("SH"), and Eddi's Wholesale Garden Supplies Ltd., a British Columbia company, as successor to EWGS Distribution Inc. ("Eddi" and together with Holdings, Hydrofarm, EHH, SunBlaster, WJCO, GS, SH and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to **Section 10.1(i)** of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent"); and (2) the Assignment and Acceptance dated as of _____, 20__ ("Assignment Agreement"), between _____ ("Assignor") and _____ ("Assignee"). Terms are used herein as defined in the Loan Agreement.

Assignor hereby notifies Borrowers and Agent of Assignor's intent to assign to Assignee pursuant to the Assignment Agreement (a) a principal amount of $_____ of Assignor's outstanding Revolver Loans and $_____ of Assignor's participations in LC Obligations, and (b) the amount of $_____ of Assignor's Revolver Commitment (which represents ____% of the total Revolver Commitments) (the foregoing items being, collectively, the "Assigned Interest"), together with an interest in the Loan Documents corresponding to the Assigned Interest. This Agreement shall be effective as of the date ("Effective Date") indicated below, provided this Assignment Notice is executed by Assignor, Assignee, Agent and Borrower Agent, if applicable. Pursuant to the Assignment Agreement, Assignee has expressly assumed all of Assignor's obligations under the Loan Agreement to the extent of the Assigned Interest, as of the Effective Date.

For purposes of the Loan Agreement, Agent shall deem Assignor's Revolver Commitment to be reduced by $_____, and Assignee's Revolver Commitment to be increased by $_____.

The address of Assignee to which notices and information are to be sent under the terms of the Loan Agreement is:

_____

_____

The address of Assignee to which payments are to be sent under the terms of the Loan Agreement is shown in the Assignment Agreement.

This Notice is being delivered to Borrowers and Agent pursuant to **Section 13.3** of the Loan Agreement. Please acknowledge your acceptance of this Notice by executing and returning to Assignee and Assignor a copy of this Notice.

[Signature Page Follows]

**IN WITNESS WHEREOF**, this Assignment Notice is executed as of _____.

_____
("Assignee")

By: _____
Title:

_____
("Assignor")

By: _____
Title:

ACKNOWLEDGED AND AGREED,
AS OF THE DATE SET FORTH ABOVE:

**BORROWER AGENT**:*

_____
By _____
Title:

* No signature required if Assignee is a Lender, U.S.-based Affiliate of a Lender or Approved Fund, or if an Event of Default exists.

**BANK OF AMERICA, N.A.,**
as Agent

By _____
Title:

EXHIBIT C
to
Amended and Restated Loan and Security Agreement

**FORM OF COMPLIANCE CERTIFICATE**

Financial Statement Date: _____, _____

To: Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to the Amended and Restated Loan and Security Agreement dated as of November 8, 2017 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the "Loan Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company (" Holdings"); Hydrofarm, LLC, a California limited liability company ("Hydrofarm" or "Borrower Agent"), EHH Holdings, LLC, a Delaware limited liability company (" EHH"), SunBlaster LLC, a Delaware limited liability company ("SunBlaster"), WJCO LLC, a Colorado limited liability company ("WJCO"), GS Distribution Inc., a British Columbia corporation ("GS"), SunBlaster Holdings ULC, a British Columbia unlimited liability company ("SH"), and Eddi's Wholesale Garden Supplies Ltd., a British Columbia Company, as successor to EWGS Distribution Inc. ("Eddi" and together with Holdings, Hydrofarm, EHH, SunBlaster, WJCO, GS, SH and any future Subsidiary of Holdings that becomes a borrower thereto pursuant to **Section 10.1(i)** of the Loan Agreement, each a "Borrower" and, collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders, and Bank of America, N.A., a national banking association, as agent for the Lenders (in such capacity, "Agent"). Terms are used herein as defined in the Loan Agreement.

The undersigned hereby certifies as of the date hereof that he/she is a Senior Officer of Borrower Agent, and that, solely in his/her capacity as such, he/she is authorized to execute and deliver this Compliance Certificate to Agent on the behalf of Borrowers, and that:

*[Use following paragraph 1 for fiscal year-end financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by **Section 10.1(b)(i)** of the Agreement for the Fiscal Year of Holdings and its Subsidiaries ended as of the above date, certified by a firm of independent certified public accountants in accordance with such Section.

*[Use following paragraph 1 for month-end financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by **Section 10.1(b)(ii)** of the Agreement for the calendar month of Holdings and its Subsidiaries ended as of the above date. Such consolidated and consolidating financial statements fairly present in all material respects the financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a review of the activities of Borrowers and their during the accounting period covered by the attached financial statements with a view to determining Borrowers are in Default under the Agreement, and

*[select one:]*

[to the knowledge of the *undersigned*, no Default has occurred and is continuing.]

*-- or --*

[to the knowledge of the undersigned, the following is a list of each Default that has occurred and is continuing and its nature and status:]

*[Use following paragraph 3 for month and quarter-end financial statements]*

3. The calculations set forth on Schedule 2 attached hereto of Global Availability as a percentage of Revolver Commitments as of the end of the most recently completed calendar month are true and accurate as of the date of the financial statements set forth above and as of the date of this Compliance Certificate.

*[Use following paragraph 4 for month and quarter financial statements that also constitute a fiscal quarter end.]*

4. The financial covenant analyses and information set forth on Schedule 3 attached hereto are true and accurate for the trailing twelve month period ended on the date of the financial statements set forth above (or for the shorter cumulative period commencing on [_____], [____] and ended on the date of such financial statements, as applicable) as of the date of this Compliance Certificate.

[Signature Page Follows]

*IN WITNESS WHEREOF*, the undersigned has executed this Compliance Certificate as of _____, _____.

**HYDROFARM, LLC,**
as Borrower Agent

By: _____
Name: _____
Title: _____

For the Month/Year ended _____, _____ ("Statement Date")

**SCHEDULE 1**
to the Compliance Certificate

**SCHEDULE 2**
to the Compliance Certificate

Calculation of Global Availability

**SCHEDULE 3**
to the Compliance Certificate

Fixed Charge Coverage Ratio

EXHIBIT D
to
Amended and Restated Loan and Security Agreement

**FORM OF IP SECURITY AGREEMENT**

**[TRADEMARK/PATENT/COPYRIGHT] SECURITY AGREEMENT**[1]

This GRANT OF SECURITY INTEREST IN [TRADEMARK/PATENT/COPYRIGHT] RIGHTS (this "Agreement"), dated as of [_____], 20[__], is made by [GRANTOR], a[n] [_____] (the "Grantor"), in favor of BANK OF AMERICA, N.A., as agent for the equal and ratable benefit of the Secured Parties (in such capacity, together with its successors and assigns in such capacity, "Agent").

The Grantor has executed and delivered that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017, in favor of Agent for the equal and ratable benefit of the Secured Parties (as the same may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "Loan Agreement"). The Grantor has pledged and granted to Agent a continuing security interest in substantially all of its intellectual property, including the [Trademarks/Patents/Copyrights].

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor agrees, for the benefit of Agent, as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement have the meanings provided or provided by reference in the Loan Agreement.

2. Grant of Security Interest. (a) This Agreement is made to secure the performance and payment of all of the Obligations. Upon the payment in full of all Obligations (other than contingent indemnification obligations which have not been asserted), Agent shall promptly, upon such satisfaction, execute, acknowledge, and deliver to Grantor all reasonably requested instruments in writing releasing the security interest in the all of its intellectual property including the [Trademarks/Patents/Copyrights] acquired under this confirmatory grant.

[Trademarks

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) its trademarks (including service marks), trade names, trade dress and the registrations and applications for registration thereof, including the foregoing listed on Schedule A, (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law) and the goodwill of the business symbolized by the foregoing; (ii) all renewals of the foregoing; (iii) all income, royalties, damages, and payments now or hereafter due or payable with respect thereto, including, without limitation, damages, claims, and payments for past and future infringements thereof; (iv) all rights to sue for past, present, and future infringements of the foregoing, including the right to settle suits involving claims and demands for royalties owing; and (v) all rights corresponding to any of the foregoing throughout the world (the "Trademarks").]

[1] Subject to Canadian law adaptation as required

[Patents

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) any and all issued patents and patent applications, including the foregoing listed on Schedule A; (ii) all inventions and improvements both described and claimed therein; (iii) all reissues, divisions, continuations, renewals, extensions, and continuations-in-part thereof; (iv) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; (v) all rights to sue for past, present, and future infringements thereof; and (vi) all rights corresponding to any of the foregoing throughout the world (the "Patents").]

[Copyrights

(b) The Grantor hereby pledges and grants to Agent, on behalf of and for the benefit of the Secured Parties, a lien in and security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to (i) any and all registered copyrights and copyright applications, including the foregoing listed on Schedule A; (ii) all renewals or extensions thereof; (iii) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; (iv) all rights to sue for past, present, and future infringements thereof; and (v) all rights corresponding to any of the foregoing throughout the world (the "Copyrights").]

3. Purpose. This Agreement has been executed and delivered by the Grantor for the purpose of recording the grant of security interest herein with the United States [Patent and Trademark][Copyright] Office. The security interest granted hereby has been granted to Agent in connection with the Loan Agreement and is expressly subject to the terms and conditions thereof. The Loan Agreement (and all rights and remedies of Agent thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the rights and remedies of Agent with respect to the security interest in the Collateral granted hereby are more fully set forth in the Loan Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the terms of the Loan Agreement, the terms of the Loan Agreement shall govern.

5. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together constitute one and the same original.

6. Governing Law. This Agreement and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

[GRANTOR]

By: _____
Name: _____
Title: _____

[Signature Page to [Trademark/Patent/Copyright] Security Agreement]

BANK OF AMERICA, N.A.,
as Agent

By: _____
Name: _____
Title: _____

[Signature Page to [Trademark/Patent/Copyright] Security Agreement]

**SCHEDULE A**

**[PATENT/TRADEMARK/COPYRIGHT] REGISTRATIONS AND APPLICATIONS**

EXHIBIT E
to
Amended and Restated Loan and Security Agreement

**FORM OF LANDLORD WAIVER**[2]

This Landlord Waiver (the "Waiver") is entered into as of _____, 20[____] between _____ (the "Landlord"), Bank of America, N.A., as agent (the "Revolving Agent") and Brightwood Loan Services LLC, as agent (the "Term Agent" together with "Revolving Agent" the "Agents" and each an "Agent") under the Loan Documents described below.

W I T N E S S E T H :

**WHEREAS**, [_____] ("Tenant"), entered into that certain Lease dated [_____], 20[___] (as amended, the "Lease"), a copy of which is attached hereto as Exhibit A, for the premises located at [_____] (the "Premises"); and

**WHEREAS**, the Tenant and certain of its affiliates have entered, and may from time to time enter, into a revolving loan and security agreement and other documents (as the same may be amended, restated, amended and restated, supplemented and otherwise modified from time to time, the " Revolving Loan Documents") evidencing a financing arrangement with the Revolving Agent and have entered, and may from time to time enter, into a term loan, security and guaranty agreement and other documents (as the same may be amended, restated, amended and restated, supplemented and otherwise modified from time to time, the " Term Loan Documents" and collectively with the Revolving Loan Documents, the "Loan Documents") evidencing a financing arrangement with the Term Agent. The Tenant has also agreed to secure its obligations and liabilities under the Loan Documents (the "Obligations") by granting a security interest to the Agents, in certain of the Tenant's property and all products and proceeds of the foregoing, as more fully described in the Loan Documents, some of which is located at the Premises (the "Collateral").

**WHEREAS**, in order to enter into the Loan Documents, the Agents have required that the Tenant obtain this Waiver from the Landlord in connection with its Lease of the Premises.

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord does hereby consent to Tenant's granting of a security interest in its personal property to the Agents and does hereby subordinate its security rights in such personal property under the Lease to Agents' liens, subject to the following terms and conditions:

1. The Landlord acknowledges that the Lease is in full force and effect and is not aware of any existing default under the Lease.

2. The Landlord acknowledges the validity of each Agent's lien on the Collateral and waives any interest in the Collateral and agrees not to levy or distrain upon any Collateral or to claim or assert any lien, right or other claim against any Collateral for any reason.

[2] Subject to Canadian law adaptation as required

3. The Landlord agrees to give notice to each Agent of the occurrence of any default by the Tenant under the Lease resulting in termination of the Lease (a "Default Notice") and agrees to permit the Agents to cure any such default within 30 days of the Agents' receipt of such Default Notice, but the Agents shall not be under any obligation to cure any default by the Tenant under the Lease. No action by the Agents pursuant to this Waiver shall be deemed to be an assumption by the Agents of any obligation under the Lease, and except as expressly provided in paragraphs 7 and 8 below, the Agents shall not have any obligation to the Landlord.

4. The Landlord agrees that the Collateral is and shall remain personal property of the Tenant regardless of the manner or mode of attachment of any item of Collateral to the Premises and shall not be deemed to be fixtures.

5. The Landlord agrees that the Collateral may be inspected and evaluated by either Agent or its designee, without necessity of court order, at any time without payment of any fee.

6. Each Agent shall have the right to enter the Premises and remove Tenant's personal property or trade fixtures to which it has rights, and Landlord waives any rights it may have to prevent such removal, from the Premises before the expiration of the lease term. In the event of default by the Tenant in the payment or performance of the Obligations or if the lease term is terminated earlier due to Tenant's default (each a "Disposition Event"), the Landlord agrees that, at either Agent's option, the Collateral may remain upon the Premises for a period not to exceed one hundred twenty (120) days (the "Disposition Period") after (a) either Agent takes possession of the Premises or (b) receipt by the Agents of a Default Notice; provided that the applicable Agent pay rent on a per diem basis for the period of time such Agent remains on the Premises, based upon the amount of rent set forth in the Lease. If any injunction or stay is issued (including an automatic stay due to a bankruptcy proceeding) that prohibits either Agent from removing the Collateral, commencement of the Disposition Period shall be deferred until such injunction or stay is lifted or removed.

7. During any Disposition Period, the Agents or their designee (a) may, without necessity of court order, enter upon the Premises at any time to inspect or remove all or any Collateral from the Premises without interference by the Landlord, and the Agents or their designee may sell, transfer, or otherwise dispose of that Collateral free of all liens, claims, demands, rights and interests that the Landlord may have in that Collateral by law or agreement, including, without limitation, by public auction or private sale (and the Agents may advertise and conduct such auction or sale at the Premises, and shall use reasonable efforts to notify the Landlord of its intention to hold any such auction or sale), in each case, without interference by the Landlord and (b) shall make the Premises available for inspection by the Landlord and prospective tenants and shall cooperate in Landlord's reasonable efforts to re-lease the Premises.

8. Each Agent shall promptly repair, at such Agent's expense, or reimburse the Landlord for any physical damage to the Premises actually caused by the conduct of any auction or sale and any removal of the Collateral by or through such Agent (ordinary wear and tear excluded). The Agents shall not (a) be liable to the Landlord for any diminution in value caused by the absence of any removed Collateral or for any other matter except as specifically set forth herein or (b) have any duty or obligation to remove or dispose of any Collateral or other property left on the Premises by the Tenant.

9. Without affecting the validity of this Waiver, any of the Obligations may be extended, amended, or otherwise modified without the consent of the Landlord and without giving notice thereof to the Landlord. This Waiver shall inure to the benefit of the successor and assigns of the Agents and shall be binding upon the heirs, personal representatives, successors and assigns of the Landlord. The person signing this Waiver on behalf of the Landlord represents to the Agents that he/she has the authority to do so on behalf of the Landlord. Notwithstanding any provision of the Lease to the contrary, Tenant expressly acknowledges and agrees that the prior written consent of each Agent shall be required for any of the following:

    a. Any assignment or subletting of Tenant’s interest under the Lease; and

    b. Other than as set forth herein, any material modification or alteration of the Lease, except for extension or renewal options as provided for in the Lease when such modification or alteration has a material adverse effect on either Agent and its right with respect to the Collateral.

    Neither Agent shall unreasonably withhold or delay its consent to any of the foregoing.

10. Landlord hereby consents to Tenant’s present or future assignment to the Agents of Tenant’s interest in the Lease as security for Tenant’s obligations to the Agents pursuant to a leasehold mortgage or other instruments(s).

11. Landlord agrees to disclose this Waiver to any purchaser or successor to Landlord’s interest in the Premises.

12. In the event of any conflict between the terms of the Lease and the terms of this Waiver, the terms of this Waiver shall control and prevail.

13. All notices hereunder shall be in writing and sent by certified mail (return receipt requested), overnight mail or facsimile (with a copy to be sent by certified or overnight mail), to the other party at the address set forth on the signature page hereto or at such other address as such other party shall otherwise designate in accordance with this paragraph.

14. This Waiver and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. The Landlord hereby consents to the exclusive jurisdiction of any state court sitting in the State of New York or the United States District Court of the Southern District of New York, in any proceeding or dispute relating in any way to this Waiver, and agrees that any such proceeding shall be brought by it solely in any such court. The Landlord irrevocably waives all claims, objections and defenses that it may have regarding such court's personal or subject matter jurisdiction, venue or inconvenient forum.

15. Landlord agrees to give each Agent notice within (a) two days of termination of, any abandonment or surrender under, or default of any of the provisions of, the Lease (or any other circumstance which could lead to the termination of the Lease prior to the scheduled expiration date thereof), and (b) 30 days prior to any termination of the Lease or repossession of the Premises by Landlord, said notice to be at each Agent's address shown on the signature pages hereof, or such other address as Agent shall designate in a written notice to Landlord. Each Agent shall have the right, without the obligation, to cure any event of default under the Lease within ten days after the receipt of such notice. Any of the foregoing done by any Agent shall be effective to cure an event of default as if the same had been done by Tenant and shall not be deemed an assumption of the Lease or any of Tenant's obligations thereunder by such Agent. Landlord agrees no Agent shall have any obligations to Landlord under the Lease or otherwise or any obligation to assume the Lease or any obligations thereunder.

16. **WAIVER OF SPECIAL DAMAGES**. THE LANDLORD WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THE LANDLORD MAY HAVE TO CLAIM OR RECOVER FROM THE AGENTS IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

17. **JURY WAIVER**. THE LANDLORD AND EACH AGENT HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN THE LANDLORD AND ANY AGENT IN ANY WAY RELATED TO THIS WAIVER.

18. This Waiver shall continue in full force and affect until the indefeasible payment in full of all Obligations.

19. Each Agent agrees that as between the Agents, its rights and remedies hereunder are subject to the terms and conditions of that certain Intercreditor Agreement entered into between the Term Loan Agent and the Revolving Agent in connection with the Revolving Credit Documents and the Term Loan Documents.

[Signature Pages Follow]

This Waiver is executed and delivered by the Landlord as of the date first written above.

**LANDLORD:**

_____

By: _____
Name: _____
Title: _____

Notice Address:

_____

_____

Attention: _____
Facsimile: _____

**Accepted and agreed to by**:

**REVOLVING AGENT**:

BANK OF AMERICA, N.A., as Revolving Agent

By: _____
Name: _____
Title: _____

Notice Address:

333 S. Hope St, Suite 1300
Los Angeles, CA 90071-1406
Attn: Matthew R. Van Steenhuyse
Telecopy: (877) 207-2581

**TERM AGENT**:

BRIGHTWOOD LOAN SERVICES LLC, as Term Agent

By: _____
Name: _____
Title: _____

Notice Address:

Brightwood Loan Services LLC
810 7th Avenue, 26th Floor
New York, NY 10019
Attn: Brightwood Finance
Telecopy: 646-537-2648

**EXHIBIT A**

COPY OF LEASE

Exhibit F
To
Amended and Restated Loan and Security Agreement

**FORM OF BAILEE LETTER**[3]
_____, 201___

[INSERT BAILEE'S
NAME AND ADDRESS]

_____

_____

ATTN: _____

RE: Security Interest in Assets of [_____]

Ladies and Gentlemen:

[_____], a/an [_____] (the "Company"), has from time to time delivered and will continue to deliver or cause to be delivered from time to time certain property of the Company (collectively, the "Company Goods") located at the address specified above (the "Facility").

The Company has entered into that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017, among the Company, the other obligors party thereto, the Lenders party thereto (the "Lenders"), Bank of America, N.A., as agent for the Lenders and other secured parties (in such capacity, the " Agent") (as the same may be amended, supplemented, amended and restated, renewed or otherwise modified from time to time, the "Loan Agreement"), pursuant to which the Company will grant to the Agent and the Lenders, a security interest in, among other things, the Company Goods.

In furtherance of the foregoing,

(1) You acknowledge that the Company is not a lessee or tenant of the Facility or any portion thereof and that the Company Goods are not held by you as a consignee. You also acknowledge that the Company Goods are and will be sequestered, and stored, controlled, identified and accounted for separately, from the equipment, inventory and other similar property of yours and other parties.

(2) Pursuant to Uniform Commercial Code, Section 9-313(c)(1) and (c)(2), the person in possession of collateral subject to a security interest must authenticate a record acknowledging that it holds possession of the collateral for the secured party's benefit or takes possession of the collateral after acknowledging that it will hold possession of the Collateral for the secured party's benefit. You are hereby notified that, pursuant to the Loan Agreement, the Company will grant to the Agent and the Lenders, among other things, a lien on and security interest in the Company Goods and the proceeds thereof (the Company Goods and proceeds being collectively referred to as the "Collateral"), and you hereby acknowledge and agree that, as of the date of this letter agreement, you hold the Collateral for the benefit of the Agent and the Lenders and, if you hereafter take possession of additional Company Goods, you will hold such additional Collateral for the benefit of the Agent and the Lenders.

[3] Subject to Canadian law adaptation as required

(3) You are hereby authorized to grant to the Agent and the Lenders the same access to the Company Goods which is available to the Company.

(4) Your authority to release the Company Goods to the Company will continue, subject to the condition that upon the written direction of the Agent, you shall refuse to release the Company Goods or any portion of the Company Goods to the Company or the Company's agent, and you may only release such Company Goods to the Agent or the party, designated by the Agent in such written direction.

(5) The Company agrees that you will have no liability to the Company if you comply with the Agent's written direction as described above. The Company further agrees that it will continue to pay all fees and expenses related to the processing of the Company Goods and will reimburse you for all reasonable costs and expenses incurred as a direct result of your compliance with the terms and provisions of this letter.

(6) You acknowledge and agree that, other than your possession of the Company Goods for the benefit of the Agent and the Lenders, that title in the Company Goods will at all times remain with the Company. You agree not to assert against any of the Collateral any statutory or possessory liens available to you, all of which you hereby waive.

(7) You agree that the Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Loan Agreement, or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code and also may (i) require the Company to assemble, at its expense, all or part of the Collateral as directed by the Agent and make it available to the Agent and the Lenders at the Facility or at another place designated by the Agent, and (ii) without notice to you, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, to third parties or to itself.

(8) This letter and all claims shall be governed by the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. You hereby consent to the exclusive jurisdiction of any state court sitting in the State of New York or the United States District Court of the Southern District of New York, in any proceeding or dispute relating in any way to this letter, and agree that any such proceeding shall be brought by you solely in any such court. You irrevocably waive all claims, objections and defenses that you may have regarding such court's personal or subject matter jurisdiction, venue or inconvenient forum.

(9) **WAIVER OF SPECIAL DAMAGES**. YOU WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT YOU MAY HAVE TO CLAIM OR RECOVER FROM THE AGENT IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

(10) **JURY WAIVER**. YOU AND AGENT HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE BETWEEN YOU AND AGENT IN ANY WAY RELATED TO THIS LETTER.

[Signature Pages Follow]

Very truly yours,

[_____]

By: _____
Name: _____
Title: _____

**BANK OF AMERICA, N.A.**,
as Agent

By: _____
Name: _____
Title: _____

**ACKNOWLEDGED AND AGREED TO AS OF THE DATE FIRST ABOVE WRITTEN.**

[INSERT NAME OF BAILEE]

By: _____
Name: _____
Title: _____

EXHIBIT G
to
Amended and Restated Loan and Security Agreement

**FORM OF JOINDER AGREEMENT**

THIS JOINDER AGREEMENT (this "Agreement"), dated as of [_____, _____], is by and among [_____, a _____] (the ["Additional Borrower"]["Additional Guarantor"]), Hydrofarm, LLC ("Hydrofarm", and in its capacity as borrower agent, the "Borrower Agent"), and BANK OF AMERICA, N.A., in its capacity as administrative agent (in such capacity, the "Agent") under that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Loan Agreement "), by and among the Obligors, the Lenders and the Agent. Capitalized terms used herein but not otherwise defined shall have the meanings provided in the Loan Agreement.

The [Additional Borrower][Additional Guarantor] is an additional Obligor, and, consequently, the Obligors are required by **Section 10.1(i)** of the Loan Agreement to cause the [Additional Borrower][Additional Guarantor] [to become a "Borrower" thereunder][enter into a Guaranty].

Accordingly, the [Additional Borrower][Additional Guarantor] and the Borrower Agent hereby agree as follows with the Agent, for the benefit of the Lenders:

1. The [Additional Borrower][Additional Guarantor] hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the [Additional Borrower][Additional Guarantor] will be deemed to be a party to and a ["Borrower"]["Guarantor"] under the Loan Agreement and shall have all of the obligations of a [Borrower] [Guarantor] thereunder as if it had executed the Loan Agreement. [The Additional Guarantor hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the applicable Loan Documents, including, without limitation (a) all of the representations and warranties set forth in **Section 9** of the Loan Agreement and (b) all of the affirmative and negative covenants set forth in **Section 10** of the Loan Agreement. Without limiting the generality of the foregoing terms of this Paragraph 1, the Additional Guarantor hereby guarantees, jointly and severally together with the other Guarantors, the prompt payment of the Secured Obligations in accordance with the Guaranty][4].

2. Each of the [Additional Borrower][Additional Guarantor] and the Borrower Agent hereby agree that all of the representations and warranties contained in **Section 9** of the Loan Agreement and each other Loan Document are true and correct as of the date hereof.

3. The [Additional Borrower][Additional Guarantor] hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the [Additional Borrower][Additional Guarantor] will be deemed to be a party to the Loan Agreement, and shall have all the rights and obligations of an "Obligor" thereunder as if it had executed the Loan Agreement. The [Additional Borrower][Additional Guarantor] hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Loan Agreement. Without limiting the generality of the foregoing terms of this Paragraph 3, the [Additional Borrower][Additional Guarantor] hereby grants, pledges and assigns to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in, and a right of set off, to the extent applicable, against any and all right, title and interest of the [Additional Borrower][Additional Guarantor] in and to the Collateral of the [Additional Borrower][Additional Guarantor].

[4] To be included if new loan party is to join as a "Guarantor".

4. The [Additional Borrower][Additional Guarantor] acknowledges and confirms that it has received a copy of the Loan Agreement and the schedules and exhibits thereto and each Loan Document and the schedules and exhibits thereto. The information on the schedules to the Loan Agreement are hereby supplemented (to the extent permitted under the Loan Agreement) to reflect the information shown on the attached Schedule A.

5. The Borrower Agent confirms that the Loan Agreement is, and upon the [Additional Borrower][Additional Guarantor] becoming a [Borrower][Guarantor], shall continue to be, in full force and effect. The parties hereto confirm and agree that immediately upon the [Additional Borrower][Additional Guarantor] becoming a [Borrower][Guarantor] the term "Obligations," as used in the Loan Agreement, shall include all obligations of the [Additional Borrower][Additional Guarantor] under the Loan Agreement and under each other Loan Document.

6. Each of the Borrower Agent and the [Additional Borrower][Additional Guarantor] agrees that at any time and from time to time, upon the written request of the Agent, it will execute and deliver such further documents and do such further acts as the Agent may reasonably request in accordance with the terms and conditions of the Loan Agreement and the other Loan Documents in order to effect the purposes of this Agreement.

7. This Agreement may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

8. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to any conflict of law principles except federal laws relating to national banks. The terms of **Sections 14.14** and **14.15** of the Loan Agreement are incorporated herein by reference, mutatis mutandis, and the parties hereto agree to such terms.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the Borrower Agent and the [Additional Borrower][Additional Guarantor] has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[ADDITIONAL BORROWER][ADDITIONAL GUARANTOR]:

[ADDITIONAL BORROWER]
[ADDITIONAL GUARANTOR]

By: _____
Name: _____
Title: _____

BORROWER AGENT:

HYDROFARM, LLC, a California limited liability company

By: _____
Name: _____
Title: _____

Acknowledged, accepted and agreed:

BANK OF AMERICA, N.A., as Agent

By: _____
Name: _____
Title: _____

EXHIBIT H
to
Amended and Restated Loan and Security Agreement

**FORM OF SOLVENCY CERTIFICATE**

Dated: November 8, 2017

The undersigned, as a Senior Officer of Borrower Agent, does hereby certify in accordance with Section 6.1(g) of that certain Amended and Restated Loan and Security Agreement dated as of the date hereof (including all exhibits and schedules thereto, as the same may be amended, supplemented, restated, and/or otherwise modified from time to time, the "Loan Agreement"), by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company ("EHH"), **SUNBLASTER LLC**, a Delaware limited liability company ("Sunblaster"), **WJCO LLC**, a Colorado limited liability company ("WJCO; together with Hydrofarm, EHH, Sunblaster and any other party joined thereto as a U.S. Borrower, each a "U. S. Borrower" and collectively, the "U.S. Borrowers"), **GS DISTRIBUTION INC.**, a British Columbia corporation ("GSD"), **EWGS DISTRIBUTION INC**., a British Columbia company ("EWGS"; immediately upon consummation of the Share Acquisition and execution of the Assumption Agreement, EWGS shall be succeeded as a Canadian Borrower hereunder by **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi and any other party joined hereto as a Canadian Borrower, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers "; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers"), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as Lenders and **BANK OF AMERICA, N.A**., a national banking association, as agent for the Lenders (in such capacity, "Agent"), that immediately before and after giving effect to the transactions contemplated in the Loan Agreement and the incurrence of Indebtedness related thereto, Holdings and its Subsidiaries are Solvent.

All capitalized terms used herein without definition shall have the respective meaning specified in the Loan Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Solvency Certificate as of the date first written above.

**HYDROFARM, LLC**, a California limited liability company

By: _____
Name:
Title:

SCHEDULE 1.1
to
Amended and Restated Loan and Security Agreement

**REVOLVER COMMITMENTS OF LENDERS**

| Lender | U.S. Revolver Commitment | Canadian Revolver Commitment |
|---|---|---|
| Bank of America, N.A. | $ 60,000,000 | $ 10,000,000[5] |

[5] Canadian Revolver Commitment is a sublimit of the U.S. Revolver Commitment of Bank of America and is not in addition thereto. The Canadian Revolver Commitment is provided by Bank of America - Canada branch.

SCHEDULE 1.1E
to
Amended and Restated Loan and Security Agreement

**EXISTING LETTERS OF CREDIT**

SCHEDULE 1.2 to

Amended and Restated Loan and Security Agreement

**EBITDA and Fixed Charge Coverage Ratio Amount**

SCHEDULE 8.5 to

Amended and Restated Loan and Security Agreement

**Deposit Accounts**

SCHEDULE 8.6.1
to
Amended and Restated Loan and Security Agreement

**Business Locations**

SCHEDULE 9.1.4 to

Amended and Restated Loan and Security Agreement

**Names and Capital Structure**

SCHEDULE 9.1.5
to
Amended and Restated Loan and Security Agreement

**Special Flood Hazard Zone**

SCHEDULE 9.1.11
to
Amended and Restated Loan and Security Agreement

**Patents, Trademarks, Copyrights and Licenses**

SCHEDULE 9.1.14
to
Amended and Restated Loan and Security Agreement

**Environmental Matters**

SCHEDULE 9.1.16
to
Amended and Restated Loan and Security Agreement

**Litigation**

SCHEDULE 9.1.18
to
Amended and Restated Loan and Security Agreement

**Pension Plans**

SCHEDULE 9.1.20
to
Amended and Restated Loan and Security Agreement

**Labor Contracts**

SCHEDULE 10.2.1
to
Amended and Restated Loan and Security Agreement

**Existing Debt**

SCHEDULE 10.2.2
to
Amended and Restated Loan and Security Agreement

**Existing Liens**

SCHEDULE 10.2.17
to
Amended and Restated Loan and Security Agreement

**Existing Affiliate Transactions**

**Exhibit 10.3**

**EXECUTION VERSION**

**FORBEARANCE AGREEMENT AND FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This **FORBEARANCE AGREEMENT AND FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of May 18, 2018 (this "Agreement"), is made and entered into by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company ("EHH"), **SUNBLASTER LLC**, a Delaware limited liability company ("SunBlaster"), and **WJCO LLC**, a Colorado limited liability company ("WJCO"; together with Hydrofarm, EHH, SunBlaster, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC**, a Delaware limited liability company ("Hydrofarm Canada"), **GS DISTRIBUTION INC.,** a British Columbia company ("GSD"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the " Obligors"), and **BANK OF AMERICA, N.A.**, a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**R E C I T A L S**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, as of the date hereof, the Events of Default identified as "Current Defaults" on Schedule I hereto (collectively, the "Current Defaults") have occurred and are continuing and the Events of Default identified as "Anticipated Defaults" on Schedule I hereto (collectively, the "Anticipated Defaults," and together with the Current Defaults, the "Specified Defaults") are expected to occur prior to the expiration of the Forbearance Period (as hereinafter defined).

WHEREAS, the Obligors have requested that the Lenders and the Agent temporarily forbear from exercising their rights and remedies under the Loan Documents arising as a result of the occurrence of the Specified Defaults.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions**. As used herein, the following terms shall have the respective meanings set forth below:

Agent's Liens: shall mean the Liens securing the repayment of the Obligations and held by the Agent.

Book Cash: shall mean the amount on deposit in the Borrowers' bank accounts located in the United States and/or Canada, as applicable, that are subject to a control agreement to the extent required under Section 8.2(d) of the Loan Agreement, at 5:00 p.m. (Eastern Time) on any date of determination less (i) all checks that have been written or otherwise distributed but not yet cashed as of such date of determination and (ii) all automated clearing house transfers that have been initiated by the depository bank and not funded by the Borrowers, provided, that the amount of such cash shall have been reconciled to the books and records (including bank statements) of the Borrowers in a manner reasonably acceptable to the Agent.

DPO: shall mean, as of any date, the product of (i) a quotient, (a) the numerator of which is equal to the aggregate amount of outstanding trade payables of the Obligors and their Subsidiaries as of such date, and (b) the denominator of which is equal to the average cost of goods sold of the Obligors and their Subsidiaries for the last three full calendar months ending on or prior to such date, times (ii) thirty (30).

Financial Advisor: shall mean Carl Marks & Co., Inc., or such other third-party financial advisor satisfactory to Agent and retained by the Obligors on terms acceptable to Agent.

Unless otherwise defined above or elsewhere in this Agreement, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** Acknowledgment of Defaults and Rights and Remedies.

(a) Each Obligor acknowledges and agrees that as of the Business Day immediately preceding the Forbearance Effective Date, the aggregate principal balance of the outstanding Obligations, including the outstanding LC Obligations, under the Loan Agreement is at least $38,912,696.28. The foregoing amount does not include interest, fees, expenses and other amounts that are chargeable or otherwise reimbursable under the Loan Agreement and the other Loan Documents.

(b) Each Obligor acknowledges and agrees that (i) no Lender has any obligation to extend any Loan or provide other financial accommodations under the Loan Agreement or other Loan Documents (including consenting to Obligors' use of cash collateral), (ii) each of the Specified Defaults constitutes an Event of Default that has occurred and is continuing as of the date hereof or is expected to occur during the Forbearance Period, as the case may be, (iii) none of the Current Defaults has been cured as of the date hereof and none of the Anticipated Defaults will be cured during the Forbearance Period, and (iv) except for the Specified Defaults, no other Events of Default have occurred and are continuing as of the date hereof, or are expected to occur during the Forbearance Period, as the case may be. Prior to the effectiveness of this Agreement, each of the Current Defaults (and each Anticipated Default upon its occurrence) permits the Lenders to, among other things, (i) charge default interest pursuant to Section 3.1 of the Loan Agreement (the "Default Rate") with respect to any and all of the Obligations effective from and after September 30, 2017, the date of the first Current Default to occur, on a retroactive basis, (ii) commence any legal or other action to collect any or all of the Obligations from Obligors, and/or any Collateral, (iii) foreclose or otherwise realize on any or all of the Collateral and/or appropriate, set-off and apply to the payment of any or all of the Obligations, any or all of the Collateral, and/or (iv) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Loan Agreement, the other Loan Documents or applicable law.

**SECTION 3.** Forbearance.

(a) For purposes of this Agreement, the term "Forbearance Period" shall mean the period commencing on the Forbearance Effective Date (as hereinafter defined) and ending on that date (the "Forbearance Termination Date") which is the earliest to occur of the following: (1) July 15, 2018; (2) the date on which any Obligor or any of their respective Subsidiaries initiates or has filed against it any bankruptcy, insolvency, assignment, foreclosure or similar proceeding under state, federal or foreign law; (3) the date on which the forbearance of the Term Loan Agent and each Term Loan Lender pursuant to the Term Loan Forbearance Agreement shall terminate, expire or otherwise cease to be effective for any reason; (4) the date on which any Obligor breaches or fails to comply with any of the terms of this Agreement as determined by the Agent or the Lenders, including, without limitation, (i) the failure by any Obligor to comply with, or any breach or violation by any Obligor of, any of the agreements or covenants set forth herein, (ii) the failure of any representation or warranty of any Obligor set forth herein to be true and correct in all material respects or (iii) the date on which any Default or Event of Default other than the Specified Defaults occurs; (5) the date on which the Term Loan Agent or any Term Loan Lender takes any action or initiates any action or proceeding to accelerate the obligations (including any Term Loan Obligations) or enforce any of its rights or remedies under the Term Loan Agreement or any other Term Loan Document or any right or remedy with respect to any collateral (including the Term Loan Priority Collateral) in respect of the Term Loan Obligations; or (6) the date on which any person or entity (including the Term Loan Agent or any Term Loan Lender) initiates any action or proceeding (including, without limitation, the initiation of any advertisement for foreclosure under a power of sale in any deed of trust, mortgage, deed to secure debt, or similar instrument) to foreclose or otherwise enforce any rights or remedies in connection with any lien, claim of lien, deed to secure debt, mortgage, security agreement or other encumbrance (including, without limitation, any judgment) on any assets or properties of any Obligor or any of their respective Subsidiaries. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Agreement has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Agreement, the Obligors have not relied upon, any potential extension of the Forbearance Period.

(b) In reliance upon the representations, covenants, agreements and acknowledgments of each of the Obligors contained in this Agreement and subject to the terms and conditions contained herein, during the Forbearance Period, the Agent and each of the Lenders agrees to forbear from exercising its rights and remedies under the Loan Documents that are based solely on the occurrence of the Specified Defaults; provided, that, (a) since the occurrence of the first Specified Default, and continuing after the date hereof, the Obligations shall have borne and accrued interest, and shall continue to bear and accrue interest following the date hereof, at the Default Rate in accordance with Section 3.1 of the Loan Agreement, (b) no loan shall be advanced, converted or continued as an Interest Period Loan with an interest period of longer than 30 days, and (c) on the Forbearance Effective Date all outstanding U.S. FILO Loans shall be converted to U.S. Base Rate Revolver Loans.

(c) Each of the Obligors, jointly and severally, acknowledges and agrees that, on and after the Forbearance Termination Date, the Agent and each of the Lenders may proceed, without any requirement for notice to any Obligor or any other obligor, to enforce any or all of its rights and remedies under or in respect of the Revolving Loan, the Obligations, the Loan Agreement, the Loan Documents, this Agreement or applicable law, including, without limitation, the right to require that the Obligors repay immediately all Obligations and any and all other amounts then owing under or pursuant to the Loan, the Loan Agreement and the other Loan Documents and the right to exercise any and all remedies in respect of the Agent's Liens.

**SECTION 4.** **Additional Agreements**. The parties hereto hereby agree to comply with the following terms, conditions and covenants until there remains no outstanding Default or Event of Default:

(a) Financial Advisor. The Obligors shall continue to retain the Financial Advisor at all times during the Forbearance Period and must comply with the terms and scope of the engagement letter.

(b) Reports. On or before June 15, 2018 prior to 5:00 p.m. (New York City time), the Obligors shall, and shall cause Financial Advisor to, deliver to the Agent and the Lenders:

(i) Revised Forecast. A revised forecast and financial model for the 2018 and 2019 calendar years for the Obligors in form and substance acceptable to the Agent. The 2018 report is to be provided on a monthly basis and the 2019 report on a fiscal quarter basis;

(ii) FA Report. A report on the Financial Advisor's findings and potential cost savings and reductions for the Obligors in form and substance acceptable to the Agent;

(iii) Financing Proposal. A comprehensive financial proposal, which proposal shall, at a minimum, outline in reasonable detail the Obligors' plan for obtaining increased liquidity, deleveraging the Obligors through a capital raise or other method, and financing options to right size the capital structure, which financial proposal shall be in form and substance acceptable to Agent.

(c) On or before June 30, 2018 prior to 5:00 p.m. (New York City time), the Obligors shall, and shall cause Financial Advisor to, deliver to the Agent and the Lenders a draft of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Obligors and their Subsidiaries as of and for the fiscal year ended December 31, 2017 and on or before July 15, 2018 prior to 5:00 p.m. (New York City time), the Obligors shall, and shall cause Financial Advisor to, deliver to the Agent and the Lenders a final draft of such report.

(d) Lender Calls. The Obligors' senior management shall, and shall cause Financial Advisor to, hold bi-weekly conference calls or in-person meetings with the Agent and the Lenders during which (i) the Obligors' senior management shall, and shall cause Financial Advisor to, provide the Agent with a reasonably detailed update of the Obligors' operations and financial position and (ii) the Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Obligors' senior management and the Financial Advisor with respect to the Obligors' operations and financial position.

(e) Lender Access to Financial Advisor. The Obligors shall, and shall cause Financial Advisor to, (a) meet, separately or collectively as Agent may request, with Agent and the Lenders and their representatives, including telephonic meetings, at such reasonable times during normal business hours as may be requested by Agent, to answer questions, provide updates and deliver such materials as may be reasonably requested by Agent or the Lenders relating to the financial condition or the actual or projected financial or operating results of the business operations or property of the Obligors and (b) answer questions, provide updates and deliver such materials as may be further reasonably requested from time to time by Agent relating to the foregoing.

(f) Report on Net Sales. In connection with the reporting obligations under Section 10.1 of the Loan Agreement, the Obligors shall provide a report every week, on or prior to the Wednesday of each week (or, if Wednesday is not a Business Day, the first Business Day thereafter) on the net sales by state of the Obligors, sales invoice reports, accounts receivables and accounts payable aging reports by top ten customers and suppliers and months in inventory reports of inventory by location and staleness, all in form acceptable to the Agent.

(g) 13-Week Forecast. Beginning May 10, 2018, the Obligors shall deliver to the Agent, as soon as available, but in any event no later than the Wednesday following the end of each week, a thirteen (13)-week cash forecast prepared by the Financial Advisor in a form and substance acceptable to Agent. The report at a minimum will include: (i) weekly variance reporting, comparing actual amounts to forecasted amounts; (ii) weekly cash receipts; (iii) expenditures detailed category; (iv) ending Book Cash; and (v) the value of the Eligible Accounts and the Eligible Inventory as reflected on the Borrowing Base Reports delivered to the Agent pursuant to Section 8.1 of the Loan Agreement.

(h) Term Lender Reports. Obligors shall simultaneously deliver to Agent any report delivered to any Term Loan Lender or the Term Loan Agent by any Obligor or representative of any Obligor.

(i) Inventory Appraisal. Obligors shall immediately permit Agent or its representatives, including Hilco, to visit and inspect the Properties of any Obligor or Subsidiary, and conduct any inspection under 10.1(a) of the Loan Agreement such that Agent's representatives can deliver to Agent an inventory appraisal report no later than June 30, 2018; provided that it shall not be a breach of this clause (i) if the inventory appraisal report is not delivered on June 30, 2018 to the extent due to the actions or inactions of Hilco.

(j) Field Exam. Obligors shall immediately permit Agent or its representatives to visit and inspect the Properties of any Obligor or Subsidiary, and conduct any inspection under 10.1(a) of the Loan Agreement such that Agent's representatives can deliver to Agent a field exam report no later than July 6, 2018; provided that it shall not be a breach of this clause (j) if the field exam report is not delivered on July 6, 2018 to the extent due to the actions or inactions of Agent or its representatives.

(k) Debt Financing. On or prior to the date that is three Business Days after the Forbearance Effective Date, (the "Debt Financing Deadline"), (A) Holdings shall obtain the proceeds of a subordinated debt financing (the "Debt Financing") from PBCO, Inc. (the "Debt Investor") in an amount not less than $4,000,000, which Debt Financing shall (i) provide that the only obligor in respect of such Debt Financing shall be Holdings, (ii) be unsecured, (iii) be fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall be in form and substance acceptable to Agent in its sole discretion, (iv) have a maturity date no earlier than 6 months after Revolver Termination Date, (v) provide for no scheduled payments of principal, prepayments or voluntary payments of principal nor mandatory redemption obligations prior to Revolver Termination Date, (vi) accrue interest at a rate no greater than 8.24% per annum, which interest shall compound annually in arrears on the 1st calendar day of each year, (vii) provide that no payment of interest may be made in cash prior to Revolver Termination Date, (viii) not be cross-defaulted to the Loan Documents, (ix) be subject to permanent standstill provisions (other than filing a proof of claim in connection with an Insolvency Proceeding), (x) provide that neither the Debt Financing, nor any interest therein, may be assigned by the Debt Investor to any person or entity without the prior written consent of Agent, and (xi) otherwise be on terms and conditions, and pursuant to documentation, acceptable to Agent in its sole discretion.

(l) Proceeds of Debt Financing. The Obligors, Lender and Agent hereby agree that the proceeds of the Debt Financing shall not be used for any purpose other than for the purpose of funding the working capital needs of the Obligors. For the avoidance of doubt, the Obligors shall not use, or permit or suffer the use of, any of the proceeds of the Debt Financing for the purposes of making any payment in respect of the Term Loan Obligations or the Revolving Loan Obligations. The proceeds of the Debt Financing shall be deposited into a separate account at Agent, shall only be used for working capital purposes and only if Obligors are not able to draw on the Revolving Loans at such time. The Obligors shall not use proceeds of the Debt Financing to repay the Revolving Loan Obligations.

(m) Minimum Availability. From and after May 22, 2018, the Obligors shall not permit (A) the sum of (i) the U.S. Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $2,000,000; or (B) the sum of (i) the Global Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $3,000,000.

(n) Amendment to Term Loan. Lenders and the Agent hereby consents to the entry by the Obligors into that certain Forbearance Agreement and Amendment, dated May 18, 2018, among the Term Loan Agent, each Term Loan Lender, and the Obligors, in the form attached hereto as Exhibit A (the "Term Loan Forbearance Agreement"). None of the Obligors nor any of their respective Subsidiaries shall enter into, or otherwise consent to or permit to exist, any further amendment, restatement, supplement, waiver or other modification to the Term Loan Agreement or any other Term Loan Document (including, without limitation, the Term Loan Forbearance Agreement) without the prior written consent of the Agent, which the Agent may grant, decline or withhold in its sole discretion.

(o) Negative Covenants. Notwithstanding anything set forth in the Loan Agreement or any Loan Document to the contrary, including Section 10.2 of the Loan Agreement, during the Forbearance Period, no Obligor shall (and no Obligor shall permit any of their respective Subsidiaries to):

(i) declare, make or pay any Distributions, including any management fees, other than Permitted Tax Distributions;

(ii) make any payment of excess cash flow or any earn-out or similar obligation;

(iii) declare, make or pay any intercompany loans, investments or other transfer of assets (including any Permitted Intercompany Loans) from the U.S. Borrowers to the Canadian Borrowers;

(iv) prepay or repay any Debt other than to repay on the Revolver Loan, including any Term Loan amortization;

(v) make any payment with respect to the Term Loan Obligations, including any interest payment;

(vi) make or receive any equity cure contribution; and

(vii) make any Investment, including any Restricted Investment.

(p) Past-Due Payable Covenant. The Obligors shall not (and the Obligors shall not permit their respective Subsidiaries to) permit (a) the aggregate amount of accounts payable of the Obligors and their Subsidiaries that are overdue by more than 60 days following the date due to exceed $2,500,000 or (b) the DPO to be greater than 55.

(q) Other Litigation Covenants. In addition to the other agreements set forth herein and in the Loan Agreement, during the Forbearance Period:

(i) none of the Obligors, their respective Subsidiaries or their respective direct or indirect equityholders, or any affiliate of any of the foregoing, will join in, assist, cooperate or participate as an adverse party or adverse witness in any suit or other proceeding against any Lender or the Agent relating to the Loan Agreement or any other Loan Document or any of the Obligations or the Agent's Liens, or in connection with or related to any of the transactions contemplated by the Loan Agreement, any other Loan Document, this Agreement or any document, agreement or instrument executed in connection with any Loan Document or this Agreement; and

(ii) no Obligor will be subject to any order of any court enjoining it from complying with any of the terms or conditions of this Agreement.

(r) Forbearance Fee. A forbearance fee in the amount of $75,000 (the "Forbearance Fee") shall be fully earned by the Lenders and non-refundable as of the Forbearance Effective Date, and shall be paid by the Obligors on the Forbearance Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(s) Canadian Deposit Accounts. Eddi shall deliver all materials and information requested by Agent in order to allow one or more deposit accounts to be opened at Bank of America's Toronto branch, subject to a perfected Lien in favor of the Agent, by no later than May 25, 2018.

**SECTION 5. Conditions Precedent**. This Agreement shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion (the date of such effectiveness being herein called the "Forbearance Effective Date"):

(a) the Agent shall have received an executed counterpart of this Agreement duly executed by each of the Obligors and each of the Lenders;

(b) the Obligors shall have retained the Financial Advisor on terms and scope acceptable to Agent and shall have delivered to the Agent an engagement letter with the Financial Advisor on terms acceptable to the Agent[1];

(c) the Term Loan Agent and each Term Loan Lender shall have entered into the Term Loan Forbearance Agreement and the Obligors shall have delivered a certified copy of such Term Loan Forbearance Agreement to the Agent and each of the Lenders, and such Term Loan Forbearance Agreement shall be in form and substance acceptable to the Agent;

(d) all representations and warranties contained in this Agreement shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(e) no Default or Event of Default (other than the Specified Defaults) shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

[1] We are expecting from Obligors a revised Financial Advisor engagement letter with an expanded scope to cover the terms of this Agreement.

(f) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

(g) the Agent shall have received a closing certificate executed by a Senior Officer of the Borrower Agent, certifying that the conditions set forth in this Section 5 have been satisfied.

**SECTION 6. Amendments to Loan Agreement**.

(a) Effective as of the Forbearance Effective Date, the definition of Consolidated EBITDA in Section 1.1 of the Loan Agreement is hereby amended to add the following clause (xiii):

(xiii) fees, costs and expenses incurred solely in connection with Revolving Forbearance Agreement and the Term Loan Forbearance Agreement, including forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, but excluding the cost of any audits, appraisals or examinations required under this agreement.

(b) Effective as of the Forbearance Effective Date, the following definitions in Section 1.1 of the Loan Agreement are hereby amended and restated to read in their entirety as follows:

U.S. Borrowing Base: on any date of determination, an amount equal to the lesser of (a) (i) the aggregate U.S. Revolver Commitments less $10,000,000, minus (ii) Canadian Revolver Usage, minus (iii) the U.S. Availability Reserve; or (b) the sum of (i) the U.S. Accounts Formula Amount, plus (ii) the U.S. Inventory Formula Amount, minus (iii) Canadian Revolver Usage; minus (iv) the U.S. Availability Reserve.

U.S. FILO Availability Amount: equals $0.

(c) Effective as of the Forbearance Effective Date, Section 8.1 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**8.1. Borrowing Base Reports**

(a) **Canadian Borrowers**. Every week, on or prior to the Tuesday of each week (or, if Tuesday is not a Business Day, the first Business Day thereafter), Canadian Borrowers shall deliver to Agent a Canadian Borrowing Base Report as of the close of business of the previous week, and at such other times as Agent may request in its Permitted Discretion. All information (including calculation of Canadian Availability and Global Availability) in a Canadian Borrowing Base Report shall be certified by Canadian Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (i) to reflect Agent's reasonable estimate of declines in value of Canadian Collateral, due to collections received in the Dominion Account or otherwise; (ii) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting Canadian Collateral; and (iii) to the extent any information or calculation does not comply with this Agreement.

(b) **U.S. Borrowers**. Every Business Day, by 10:00 a.m. (Pacific Standard Time) on each Business Day, U.S. Borrowers shall deliver to Agent a U.S. Borrowing Base Report as of the close of business of the previous day, and at such other times as Agent may request in its Permitted Discretion. All information (including calculation of U.S. Availability and Global Availability) in a U.S. Borrowing Base Report shall be certified by U.S. Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (i) to reflect Agent's reasonable estimate of declines in value of ABL Priority Collateral, due to collections received in the Dominion Account or otherwise; (ii) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting ABL Priority Collateral; and (iii) to the extent any information or calculation does not comply with this Agreement.

(d) Effective as of the Forbearance Effective Date, Section 10.3 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**10.3. Financial Covenants.** As long as any Revolver Commitments or Obligations are outstanding, Obligors shall:

(a) maintain a Fixed Charge Coverage Ratio for each 12 month period ending on the date of measurement of at least 1.0 to 1.0 while a Financial Covenant Trigger Period is in effect, measured for the most recent period for which financial statements were delivered hereunder prior to the Financial Covenant Trigger Period and each such period ending thereafter until the Financial Covenant Trigger Period is no longer in effect.

(b) not permit EBITDA for the previous month period ending as of the last day of any calendar month to be less than Negative One Million Five Hundred Thousand (-$1,500,000). As soon as practicable and in any event within 30 days after the end of each month, Obligors shall deliver to Agent a Compliance Certificate duly executed by a Senior Officer of the Borrower Agent setting forth the calculation of EBITDA for the previous month and certifying whether or not Obligors are in compliance with the foregoing covenant.

**SECTION 7.** **Representations and Warranties**. Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Agreement and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Forbearance Effective Date and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Agreement nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Agreement;

(d) as of the date hereof and after giving effect to this Agreement, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents other than the Specified Defaults.

**SECTION 8.** **Acknowledgment and Reaffirmation**

(a) Acknowledgment of Debts. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates that:

(i) interest has accrued on the Obligations since September 30, 2017 at the Default Rate under the Loan Documents, is due and payable and shall be paid by the Obligors on the Forbearance Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement. Interest shall continue to accrue and be due and payable pursuant to the Loan Documents at the Default Rate following the Forbearance Effective Date;

(ii) fees, late fees, reimbursable and indemnifiable amounts, and other amounts have accrued under each of the Loan Documents and shall continue to accrue and be payable pursuant to the Loan Documents;

(iii) effective as of the Forbearance Effective Date, the Forbearance Fee shall be fully earned by the Lenders and shall be paid by the Obligors on the Forbearance Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(iv) all of the Obligations, including, without limitation, the Obligations described in the foregoing clauses (i) through (v), are (or, in the case of clause (v), from and after the Forbearance Effective Date will be) unconditionally owing by the Obligors to the Lenders and the Agent without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Acknowledgment of Guaranties. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(i) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(ii) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(iii) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(iv) that each Obligor consents to the execution and delivery of this Agreement and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Agreement or by the consummation of any of the transactions contemplated hereby or thereby;

(v) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(vi) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(vii) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent;

(viii) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(ix) neither any Lender nor the Agent is required to make any loan advance to any Obligor under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Agent and subject to such conditions and the payment of such fees as each such Lender and the Agent requires in their sole discretion.

**SECTION 9. Ratification; Waiver of Defenses; Indemnity and Release**.

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 9 shall be effective on the Forbearance Effective Date regardless of whether any post-Forbearance Effective Date conditions to this Agreement are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Agreement and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Agreement and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Agreement shall be effective on the Forbearance Effective Date regardless of whether any post-Forbearance Effective Date conditions to this Agreement are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Agreement, any other Loan Document or any other document executed in connection with the transactions contemplated by this Agreement; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Agreement shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents (including, without limitation, the Specified Defaults), whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. Subject to the forbearance in respect of the Specified Defaults set forth in Section 3 and the amendment set forth in Section 6, the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. Each of Obligors expressly acknowledges the occurrence and continued existence of the Specified Defaults. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation (i) to grant the forbearance contemplated by this Agreement, (ii) to enter into discussions with the Obligors with regard to waiving the Specified Defaults, or (iii) to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Agreement, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 9 OF THIS AGREEMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS AGREEMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 9(g) will be applicable only if the jury trial waiver set forth in Section 9(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 9(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 9(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 10. No Waiver; No Novation; Reservation of Rights**.

(a) No Waiver. Neither any Lender nor the Agent has waived, nor is any Lender or the Agent by this Agreement waiving, and neither any Lender nor the Agent has any present intention of waiving, any Specified Default, any other Events of Default arising under the Loan Documents which may be continuing on the Forbearance Effective Date or any Events of Default arising under the Loan Documents which may occur after the Forbearance Effective Date (whether the same or similar to any Specified Default or otherwise), and nothing contained herein shall be deemed or constitute any such waiver.

(b) No Novation. This Agreement is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Agreement nor any payments made or other actions taken pursuant to this Agreement shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that the Obligors are and shall remain in default and all Obligations are and shall remain immediately due and payable in full notwithstanding this Agreement.

(c) Reservation of Rights. Subject to Section 3 and Section 6, each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Specified Default, any other Events of Default arising under the Loan Documents that may be continuing on the Forbearance Effective Date or any Default or Event of Default arising under the Loan Documents that may occur after the Forbearance Effective Date, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Agreement, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies. Upon the termination of the Forbearance Period, the agreement of the Lenders and the Agent to forbear and the other agreements of the Lenders and the Agent hereunder, in each case as set forth in Section 3 above, shall automatically and without further action terminate and be of no force and effect, it being understood and agreed that the effect of such termination will be to permit the Lenders and the Agent to exercise any and all of its rights and remedies at any time and from time to time thereafter, including, without limitation, the right to accelerate all or any portion of the Obligations, enforce the Agent's Liens and exercise any other rights and remedies set forth in the Loan Documents, applicable law or otherwise.

(d) Notwithstanding anything to the contrary set forth herein (including, without limitation, the provisions of Section 3), nothing in this Agreement shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(e) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Agreement or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 11.** **Further Assurances**. Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Agreement and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 12.** **Counterparts**. This Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Agreement.

**SECTION 13.** **Successors and Assigns**. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 14.** **Severability**. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

**SECTION 15.** **Governing Law**. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS AGREEMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 16.** **Expenses**. The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Agreement and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 17.** **Miscellaneous**. The parties hereto shall, at any time and from time to time following the execution of this Agreement, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Agreement.

**SECTION 18.** **Headings**. Section headings in this Agreement are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

**SECTION 19.** **Entire Agreement**. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Agreement, are totally superseded and merged into this Agreement, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Agreement has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Agreement, the Obligors have not relied upon, any potential extension of the Forbearance Period.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Agreement has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFORM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFORM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**WJCO LLC,**
a Colorado limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFORM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**GS DISTRIBUTION INC.,**
a British Columbia corporation

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNSLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDoWell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Carin C. Julsgard
Name: Carin C. Julsgard
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Carin C. Julsgard
Facsimile: (213) 345-4333

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

**SCHEDULE I**

Current Defaults

Anticipated Defaults

EXHIBIT A

Term Loan Forbearance Agreement

**SCHEDULE I**

Specified Defaults

**Exhibit 10.4**

EXECUTION VERSION

**FIRST AMENDMENT TO FORBEARANCE AGREEMENT**
**AND SECOND AMENDMENT TO AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

This **FIRST AMENDMENT TO FORBEARANCE AGREEMENT AND SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of July 16, 2018 (this "Forbearance Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company (" EHH"), **SUNBLASTER LLC**, a Delaware limited liability company ("SunBlaster"), and **WJCO LLC**, a Colorado limited liability company ("WJCO"; together with Hydrofarm, EHH, SunBlaster, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC**, a Delaware limited liability company ("Hydrofarm Canada"), **GS DISTRIBUTION INC.,** a British Columbia company ("GSD"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.**, a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto. Unless otherwise defined above or elsewhere in this Forbearance Amendment, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement and the Forbearance Agreement.

**R E C I T A L S**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, pursuant to the terms and conditions of that certain Forbearance Agreement dated as of May 18, 2018, by and between the Obligors, the Lenders and the Agent (the "Forbearance Agreement"), the Lenders and the Agent agreed to forbear during the Forbearance Period (as defined in the Forbearance Agreement) from exercising their rights and remedies under the Loan Documents arising as a result of the Specified Defaults set forth in the Forbearance Agreement.

WHEREAS, as of the date hereof, the Events of Default identified on Schedule I hereto (collectively, the "Specified Defaults") have occurred and are continuing.

WHEREAS, the Obligors have requested that the Lenders and the Agent continue to temporarily forbear from exercising their rights and remedies under the Loan Documents arising as a result of the occurrence of the Specified Defaults.

WHEREAS, the Forbearance Agreement Termination Date and various deliveries due on such date is July 15, 2018 which is not a Business Day, and the parties desire to clarify and confirm that all references to July 15, 2018 in the Forbearance Agreement and all deliveries due on such date are references to July 16, 2018 which is the Business Day following July 15, 2018.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1. Acknowledgment of Defaults and Rights and Remedies**.

(a) Each Obligor acknowledges and agrees that as of July 11, 2018, the aggregate principal balance of the outstanding Obligations, including the outstanding LC Obligations, under the Loan Agreement is at least $29,647,683.50. The foregoing amount does not include interest, fees, expenses and other amounts that are chargeable or otherwise reimbursable under the Loan Agreement and the other Loan Documents.

(b) Each Obligor acknowledges and agrees that (i) no Lender has any obligation to extend any Loan or provide other financial accommodations under the Loan Agreement or other Loan Documents (including consenting to Obligors' use of cash collateral), (ii) each of the Specified Defaults constitutes an Event of Default that has occurred and is continuing as of the date hereof or is expected to occur during the Forbearance Period, as the case may be, (iii) none of the Specified Defaults has been cured as of the date hereof, and (iv) except for the Specified Defaults, no other Events of Default have occurred and are continuing as of the date hereof, or are expected to occur during the Forbearance Period, as the case may be. Prior to the effectiveness of this Agreement, each of the Specified Defaults permits the Lenders to, among other things, (i) charge default interest pursuant to Section 3.1 of the Loan Agreement (the "Default Rate") with respect to any and all of the Obligations effective from and after September 30, 2017, the date of the first Specified Default to occur, on a retroactive basis, (ii) commence any legal or other action to collect any or all of the Obligations from Obligors, and/or any Collateral, (iii) foreclose or otherwise realize on any or all of the Collateral and/or appropriate, set-off and apply to the payment of any or all of the Obligations, any or all of the Collateral, and/or (iv) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Loan Agreement, the other Loan Documents or applicable law.

**SECTION 2. Additional Agreements.**

(a) Amendment to Term Loan and Term Loan Forbearance Agreement. Lenders and the Agent hereby consents to the entry by the Obligors into that certain Amendment No. 1 to Forbearance Agreement, dated July 16, 2018, among the Term Loan Agent, each Term Loan Lender, and the Obligors, in the form attached hereto as Exhibit A (the "Term Loan Forbearance Agreement Amendment"). None of the Obligors nor any of their respective Subsidiaries shall enter into, or otherwise consent to or permit to exist, any further amendment, restatement, supplement, waiver or other modification to the Term Loan Agreement or any other Term Loan Document (including, without limitation, the Term Loan Forbearance Agreement Amendment) without the prior written consent of the Agent, which the Agent may grant, decline or withhold in its sole discretion.

(b) Forbearance Amendment Fee. A forbearance amendment fee in the amount of $50,000 (the "Forbearance Amendment Fee") shall be fully earned by the Lenders and non-refundable as of the Forbearance Amendment Effective Date, and shall be paid by the Obligors on the Forbearance Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(c) Restriction on Advances. Notwithstanding anything in the Loan Documents (including, without limitation, this Forbearance Amendment) to the contrary, the Agent and Lenders shall have no obligation to make Revolver Loans on July 16, 2018, in excess of the amount of fees, costs and expenses that are due and payable under this Forbearance Amendment, provided, however, that the foregoing limitation shall not apply after the occurrence of the Forbearance Amendment Effective Date.

**SECTION 3. Amendments to Forbearance Agreement; Acknowledgement.**

(a) Effective as of the Forbearance Amendment Effective Date, the reference to "July 15, 2018" in Section 3(a)(1) of the Forbearance Agreement is hereby amended to "August 15, 2018".

(b) Effective as of the Forbearance Amendment Effective Date, Section 4(a) of the Forbearance Agreement is hereby amended and restated in its entirety as follows:

(a) Financial Advisor. The Obligors shall continue to retain the Financial Advisor at all times during the Forbearance Period and must comply with the terms and scope of the engagement letter or other such further engagement letter as is delivered to, and reasonably satisfactory in form and substance to, the Agent.

(c) Effective as of the Forbearance Amendment Effective Date, Section 4(b)(i) of the Forbearance Agreement is hereby amended and restated in its entirety as follows:

(i) Revised Forecast. On or before July 20, 2018, the Obligors shall, and shall cause Financial Advisor to, deliver to the Agent and the Lenders a revised forecast and financial model for the 2019 calendar year for the Obligors in form and substance acceptable to the Agent. The 2019 report is to be provided on a fiscal quarter basis.

(d) Effective as of the Forbearance Amendment Effective Date, Section 4(m) of the Forbearance Agreement is hereby amended and restated in its entirety as follows:

(m) Minimum Availability. From and after May 22, 2018, the Obligors shall not permit (A) the sum of (i) the U.S. Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $2,000,000; or (B) the sum of (i) the Global Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $3,000,000. The Obligors shall provide every week, simultaneously with the report required to be delivered by the Obligors pursuant to Section 4(f) of this Agreement, a certificate that the Obligors are in compliance with this Section 4(m) of the Forbearance Agreement.

(e) Effective as of the Forbearance Amendment Effective Date, Section 4(s) of the Forbearance Agreement is hereby amended and restated in its entirety as follows:

(s) Canadian Deposit Accounts. Eddi shall continue to maintain one or more deposit accounts at Bank of America's Toronto branch, subject to a perfected Lien in favor of the Agent.

(f) **Acknowledgement**. The Obligors, the Agent and each Lender hereby acknowledge that the Forbearance Agreement Termination Date and various deliveries due on such date is July 15, 2018 which is not a Business Day. The parties hereto acknowledge and agree that all references to July 15, 2018 in the Forbearance Agreement and all deliveries due on such date are references to July 16, 2018 which is the Business Day following July 15, 2018.

**SECTION 4.** Amendment to Loan Agreement.

(a) Effective as of the Forbearance Amendment Effective Date, Section 10.3(b) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

(b) not permit EBITDA for the previous month period ending as of the last day of any calendar month to be less than Negative One Million Five Hundred Thousand (-$1,500,000), provided that, the Obligors shall not permit the EBITDA for the previous month period ending as of June 30, 2018 to be less than Negative Two Million (-$2,000,000). As soon as practicable and in any event within 30 days after the end of each month, Obligors shall deliver to Agent a Compliance Certificate duly executed by a Senior Officer of the Borrower Agent setting forth the calculation of EBITDA for the previous month and certifying whether or not Obligors are in compliance with the foregoing covenant.

**SECTION 5. Conditions Precedent**. This Forbearance Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion (the date of such effectiveness being herein called the "Forbearance Amendment Effective Date"):

(a) the Agent shall have received an executed counterpart of this Forbearance Amendment duly executed by each of the Obligors and each of the Lenders;

(b) the Obligors shall have retained the Financial Advisor on terms and scope acceptable to Agent and shall have delivered to the Agent an engagement letter with the Financial Advisor on terms acceptable to the Agent;

(c) the Term Loan Agent and each Term Loan Lender shall have entered into the Term Loan Forbearance Agreement Amendment and the Obligors shall have delivered a certified copy of such Term Loan Forbearance Agreement Amendment to the Agent and each of the Lenders, and such Term Loan Forbearance Agreement Amendment shall be in form and substance acceptable to the Agent;

(d) all representations and warranties contained in this Forbearance Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(e) no Default or Event of Default (other than the Specified Defaults) shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

(f) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

(g) the Agent shall have received a closing certificate executed by a Senior Officer of the Borrower Agent, certifying that the conditions set forth in this Section 5 have been satisfied.

**SECTION 6. Representations and Warranties**. Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Forbearance Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Forbearance Amendment Effective Date and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Forbearance Amendment nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Forbearance Amendment;

(d) as of the date hereof and after giving effect to this Forbearance Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents other than the Specified Defaults.

**SECTION 7. Acknowledgment and Reaffirmation**

(a) Acknowledgment of Debts. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates that:

(i) interest has accrued on the Obligations since September 30, 2017 at the Default Rate under the Loan Documents, is due and payable and shall be paid by the Obligors on the Forbearance Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement. Interest shall continue to accrue and be due and payable pursuant to the Loan Documents at the Default Rate following the Forbearance Amendment Effective Date;

(ii) fees, late fees, reimbursable and indemnifiable amounts, and other amounts have accrued under each of the Loan Documents and shall continue to accrue and be payable pursuant to the Loan Documents;

(iii) effective as of the Forbearance Amendment Effective Date, the Forbearance Fee shall be fully earned by the Lenders and shall be paid by the Obligors on the Forbearance Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(iv) all of the Obligations, including, without limitation, the Obligations described in the foregoing clauses (i) through (iii), are (or, in the case of clause (iii), from and after the Forbearance Amendment Effective Date will be) unconditionally owing by the Obligors to the Lenders and the Agent without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Acknowledgment of Guaranties. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(i) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(ii) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(iii) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(iv) that each Obligor consents to the execution and delivery of this Forbearance Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Forbearance Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(v) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(vi) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(vii) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent;

(viii) the execution and delivery of this Forbearance Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(ix) neither any Lender nor the Agent is required to make any loan advance to any Obligor under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Agent and subject to such conditions and the payment of such fees as each such Lender and the Agent requires in their sole discretion.

**SECTION 8. Ratification; Waiver of Defenses; Indemnity and Release**.

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 8 shall be effective on the Forbearance Amendment Effective Date regardless of whether any post-Forbearance Amendment Effective Date conditions to this Forbearance Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Forbearance Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Forbearance Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as
a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Forbearance Amendment shall be effective on the Forbearance Amendment Effective Date regardless of whether any post-Forbearance Amendment Effective Date conditions to this Forbearance Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Forbearance Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Forbearance Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Forbearance Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 3 and Section 4) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents (including, without limitation, the Specified Defaults), whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. Subject to the forbearance in respect of the Specified Defaults set forth in Section 3 of the Forbearance Agreement and the amendments set forth in Section 3 and Section 4 of this Forbearance Amendment, the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. Each of Obligors expressly acknowledges the occurrence and continued existence of the Specified Defaults. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation (i) to grant the forbearance contemplated by this Forbearance Amendment, (ii) to enter into discussions with the Obligors with regard to waiving the Specified Defaults, or (iii) to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Forbearance Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS FORBEARANCE AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE FORBEARANCE AMENDMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 8 OF THIS FORBEARANCE AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS FORBEARANCE AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS FORBEARANCE AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 8(g) will be applicable only if the jury trial waiver set forth in Section 8(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 9(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 8(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 9. No Waiver; No Novation; Reservation of Rights**.

(a) No Waiver. Neither any Lender nor the Agent has waived, nor is any Lender or the Agent by this Forbearance Amendment waiving, and neither any Lender nor the Agent has any present intention of waiving, any Specified Default, any other Events of Default arising under the Loan Documents which may be continuing on the Forbearance Amendment Effective Date or any Events of Default arising under the Loan Documents which may occur after the Forbearance Amendment Effective Date (whether the same or similar to any Specified Default or otherwise), and nothing contained herein shall be deemed or constitute any such waiver.

(b) No Novation. This Forbearance Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Forbearance Amendment nor any payments made or other actions taken pursuant to this Forbearance Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that the Obligors are and shall remain in default and all Obligations are and shall remain immediately due and payable in full notwithstanding this Forbearance Amendment.

(c) Reservation of Rights. Subject to Section 3 of the Forbearance Agreement and Section 3 and Section 4 of this Forbearance Amendment, each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Specified Default, any other Events of Default arising under the Loan Documents that may be continuing on the Forbearance Amendment Effective Date or any Default or Event of Default arising under the Loan Documents that may occur after the Forbearance Amendment Effective Date, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Forbearance Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies. Upon the termination of the Forbearance Period, the agreement of the Lenders and the Agent to forbear and the other agreements of the Lenders and the Agent hereunder, in each case as set forth in Section 3 above, shall automatically and without further action terminate and be of no force and effect, it being understood and agreed that the effect of such termination will be to permit the Lenders and the Agent to exercise any and all of its rights and remedies at any time and from time to time thereafter, including, without limitation, the right to accelerate all or any portion of the Obligations, enforce the Agent's Liens and exercise any other rights and remedies set forth in the Loan Documents, applicable law or otherwise.

(d) Notwithstanding anything to the contrary set forth herein or in the Forbearance Agreement (including, without limitation, the provisions of Section 3 of the Forbearance Agreement), nothing in this Forbearance Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(e) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Forbearance Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 10. Loan Document Pursuant to Loan Agreement**. Each of the Obligors, Agent, and the Lenders hereby acknowledge and agree that the Forbearance Agreement, as may be amended, restated, supplemented or otherwise modified from time to time, including by this Forbearance Amendment, constitutes a Loan Document as defined in the Loan Agreement.

**SECTION 11. Further Assurances**. Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Forbearance Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 12. Counterparts**. This Forbearance Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Forbearance Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Forbearance Amendment.

**SECTION 13. Successors and Assigns**. The provisions of this Forbearance Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 14. Severability**. If any provision of this Forbearance Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Forbearance Amendment in any jurisdiction.

**SECTION 15. Governing Law**. **THIS FORBEARANCE AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS FORBEARANCE AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 16. Expenses**. The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Forbearance Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 17. Miscellaneous**. The parties hereto shall, at any time and from time to time following the execution of this Forbearance Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Forbearance Amendment.

**SECTION 18. Headings**. Section headings in this Forbearance Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Forbearance Amendment.

**SECTION 19. Entire Agreement**. This Forbearance Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Forbearance Amendment, are totally superseded and merged into this Forbearance Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Forbearance Amendment has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Forbearance Amendment, the Obligors have not relied upon, any potential extension of the Forbearance Period.

[*The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Forbearance Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**WJCO LLC,**
a Colorado limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**GS DISTRIBUTION INC.,**
a British Columbia corporation

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Matthew R. Van Steenhuyse
Name: Matthew R. Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew R. Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: 312-453-4041

**SCHEDULE I**

Current Defaults

EXHIBIT A

Term Loan Forbearance Agreement

**Exhibit 10.5**

EXECUTION VERSION

**WAIVER AND THIRD AMENDMENT TO**
**AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This **WAIVER AND THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of August 24, 2018 (this "Waiver and Third Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company ("EHH"), and **SUNBLASTER LLC**, a Delaware limited liability company ("SunBlaster" and together with Hydrofarm and EHH, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC**, a Delaware limited liability company ("Hydrofarm Canada"), **GS DISTRIBUTION INC.,** a British Columbia company ("GSD"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.**, a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**R E C I T A L S**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, the Obligors, Agent and Lenders are parties to that certain Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), that certain First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement (the "First Forbearance Amendment") dated as of July 16, 2018, that certain Second Amendment to Forbearance Agreement dated as of August 15, 2018 (the "Second Forbearance Amendment") and that certain Third Amendment to the Forbearance Agreement dated as of August 22, 2018 (the "Third Forbearance Amendment" and together with the Forbearance Agreement, the First Forbearance Amendment and the Second Forbearance Amendment, the "Forbearance Agreements") pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Forbearance Agreements, to temporarily forbear from exercising their rights and remedies under the Loan Documents arising as a result of the Specified Defaults identified therein.

WHEREAS, as of the date hereof, the Events of Default identified on Schedule I hereto (collectively, the "Specified Defaults") have occurred and are continuing.

WHEREAS, the Obligors have requested that the Lenders and the Agent (i) waive the Specified Defaults, and (ii) amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions**. As used herein, the following terms shall have the respective meanings set forth below:

Book Cash: shall mean the amount of unrestricted cash on deposit in the Borrowers' bank accounts located in the United States and/or Canada, as applicable, that are subject to a control agreement to the extent required under Section 8.2(d) of the Loan Agreement, at 5:00 p.m. (Eastern Time) on any date of determination less (i) all checks that have been written or otherwise distributed but not yet cashed as of such date of determination and (ii) all automated clearing house transfers that have been initiated by the depository bank and not funded by the Borrowers, provided, that the amount of such cash shall have been reconciled to the books and records (including bank statements) of the Borrowers in a manner reasonably acceptable to the Agent.

Financial Advisor: shall mean Carl Marks & Co., Inc., or such other third-party financial advisor satisfactory to Agent and retained by the Obligors on terms acceptable to Agent.

Unless otherwise defined above or elsewhere in this Waiver and Third Amendment, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** **Acknowledgment of Defaults and Rights and Remedies**.

(a) Each Obligor acknowledges and agrees that as of the Business Day immediately preceding the Waiver and Third Amendment Effective Date, the aggregate principal balance of the outstanding Obligations, including the outstanding LC Obligations, under the Loan Agreement is at least $26,936,885.28. The foregoing amount does not include interest, fees, expenses and other amounts that are chargeable or otherwise reimbursable under the Loan Agreement and the other Loan Documents.

(b) Each Obligor acknowledges and agrees that (i) each of the Specified Defaults constitutes an Event of Default that has occurred and is continuing as of the date hereof, (ii) none of the Specified Defaults has been cured as of the date hereof, and (iii) except for the Specified Defaults, no other Events of Default have occurred and are continuing as of the date hereof. Prior to the effectiveness of this Waiver and Third Amendment, each of the Specified Defaults permits the Lenders to, among other things, (i) terminate its commitment to extend any Loan or provide other financial accommodations under the Loan Agreement or other Loan Documents, (ii) charge default interest pursuant to Section 3.1 of the Loan Agreement (the "Default Rate") with respect to any and all of the Obligations effective from and after September 30, 2017, the date of the first Current Default to occur, on a retroactive basis, (iii) commence any legal or other action to collect any or all of the Obligations from Obligors, and/or any Collateral, (iv) foreclose or otherwise realize on any or all of the Collateral and/or appropriate, set-off and apply to the payment of any or all of the Obligations, any or all of the Collateral, and/or (v) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Loan Agreement, the other Loan Documents or applicable law.

**SECTION 3.** **Limited Waiver**. Subject to the terms and conditions set forth herein, and reliance upon the representations and warranties of the Obligors, the Agent and the Lenders hereby waive the Specified Defaults. Nothing in this Waiver and Third Amendment shall be construed to (i) constitute a waiver with respect to any other default or non-compliance by the Obligors with respect to the Loan Documents; or (ii) impair any right or remedy that the Agent or Lenders may now have or may have in the future under or in connection with any default or non-compliance under any Loan Document other than the Specified Defaults.

**SECTION 4.** **Additional Agreements**. The parties hereto hereby agree to comply with the following terms, conditions and covenants.

(a) Financial Advisor. Until the Obligors have complied with Section 4(c) herein, the Obligors shall continue to retain the Financial Advisor.

(b) 13-Week Forecast. The Obligors shall deliver to the Agent no later than September 15, 2018, a thirteen (13)-week cash forecast prepared by the Financial Advisor in a form and substance acceptable to Agent. The report at a minimum will include: (i) variance reporting, comparing actual amounts to forecasted amounts; (ii) cash receipts; (iii) expenditures detailed category; (iv) ending Book Cash; and (v) the value of the Eligible Accounts and the Eligible Inventory as reflected on the Borrowing Base Reports delivered to the Agent pursuant to Section 8.1 of the Loan Agreement. Beginning September 15, 2018, the Obligors shall deliver to the Agent, as soon as available, but in any event no later than the Wednesday following the end of each week, a thirteen (13)-week cash forecast prepared by the Financial Advisor in a form and substance acceptable to Agent reflecting variance reporting, comparing actual amounts to forecasted amounts.

(c) Chief Restructuring Officer. No later than September 21, 2018, Obligors shall retain a chief restructuring officer acceptable, and on terms and conditions acceptable, to the Agent and Lenders in their reasonable discretion.

(d) Term Lender Reports. Obligors shall simultaneously deliver to Agent any report delivered to any Term Loan Lender or the Term Loan Agent by any Obligor or representative of any Obligor.

(e) Equity Financing. On the Waiver and Third Amendment Effective Date, (the "First Equity Financing Deadline"), (i) Hydrofarm Holdings Group, Inc., a Delaware Corporation ("Holdings Group"), is conducting a private offering of up to $50,000,000 of securities of Holdings Group (the "Holdings Group Equity Raise"), and (ii) Hydrofarm Investment Corp., a Delaware corporation ("HIC"), is conducting a concurrent private offering of a minimum of $15,000,000 from existing investors of securities of HIC (the "HIC Concurrent Investment," and together with the Holding Group Equity Raise, the "Private Placements"), with the HIC Concurrent Investment being a closing condition to the Holding Group Equity Raise. At the initial closing of the Holdings Group Equity Raise, HIC will merge with a wholly-owned subsidiary of Holding Group, with HIC surviving as a wholly-owned subsidiary of Holdings Group (the "Merger"). As a result of the Merger, each of the Obligors will become an indirect, wholly- owned subsidiary of Holdings Group. The proceeds of the HIC Concurrent Investment and the initial closing of the Holdings Group Equity Raise will be not less than $21,000,000, exclusive of (i) all fees and expenses related to the HIC Concurrent Investment and (ii) payment of obligations on any Subordinated Debt in an amount not to exceed $2,000,000. $11,000,000 of such proceeds will be distributed to the Borrowers on the First Equity Financing Deadline and the remainder of such proceeds shall be distributed to the Borrowers no later than August 29, 2018 (the "Second Equity Financing Deadline"). Subject to the foregoing, the Agent and the Lenders hereby consent to the Private Placements and all transactions contemplated therewith, including, but not limited to, the termination of the management agreements among Holdings, the Sponsor and the Co-Investor.

(f) Minimum Availability Covenant. From and after August 24, 2018, the Obligors shall not permit (A) the sum of (i) the U.S. Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $2,000,000; or (B) the sum of (i) the Global Availability (as defined in the Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Obligors that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Agent for the benefit of the Lenders to be less than $4,000,000.

(g) Amendment to Term Loan. Lenders and the Agent hereby consents to the entry by the Obligors into that certain Waiver and Amendment No. 3 to Credit Agreement, dated August 24, 2018, among the Term Loan Agent, each Term Loan Lender, and the Obligors, in the form attached hereto as Exhibit A (the "Term Loan Waiver and Amendment No. 3").

(h) Amendment Fee. An amendment fee in the amount of $100,000 (the "Waiver and Third Amendment Fee") shall be fully earned by the Agent and the Lenders and non-refundable as of the Waiver and Third Amendment Effective Date, and shall be paid by the Obligors on the Waiver and Third Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

**SECTION 5. Conditions Precedent**. This Waiver and Third Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion (the date of such effectiveness being herein called the "Waiver and Third Amendment Effective Date"):

(a) the Agent shall have received an executed counterpart of this Waiver and Third Amendment duly executed by each of the Obligors and each of the Lenders;

(b) the Term Loan Agent and each Term Loan Lender shall have entered into the Term Loan Waiver and Amendment No. 3 and the Obligors shall have delivered a certified copy of such Term Loan Waiver and Amendment No. 3 to the Agent and each of the Lenders, and such Term Loan Waiver and Amendment No. 3 shall be in form and substance acceptable to the Agent;

(c) all representations and warranties contained in this Waiver and Third Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(d) no Default or Event of Default (other than the Specified Defaults) shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

(e) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege);

(f) the Agent shall have received revised Schedules 8.5, 9.14, 10.2.1 to the Loan Agreement;

(g) the Obligors shall have used the net proceeds of the Equity Financing in an amount not less than $21,000,000 to pay down the Revolving Loan Obligations of the Obligors; and

(h) the Agent shall have received a closing certificate executed by a Senior Officer of the Borrower Agent, certifying that the conditions set forth in this Section 5 have been satisfied.

**SECTION 6. Amendments to Loan Agreement**.

(a) Effective as of the Waiver and Third Amendment Effective Date, the following definitions in Section 1.1 of the Loan Agreement are hereby amended and restated to read in their entirety as follows:

Applicable Margin: the margin set forth below, as determined by the Average Global Availability for the last Fiscal Quarter:

| Level | Average Global Availability As a Percentage of Revolver Commitments | Canadian Prime Rate Revolver Loans, Canadian Base Rate Revolver Loans and U.S. Base Rate Revolver Loans | Canadian BA Rate Revolver Loans, Canadian LIBOR Revolver Loans and U.S. LIBOR Revolver Loans |
|---|---|---|---|
| I | ≥ $33,600,000 | 1.25% | 2.00% |
| II | ≥ $13,200,000 and < $33,600,000 | 1.50% | 2.25% |
| III | < $13,200,000 | 1.75% | 2.50% |

The Applicable Margin shall be at Level III through December 31, 2018. Thereafter, margins shall be subject to increase or decrease by Agent on the first day of the calendar month following each Fiscal Quarter end based upon Average Global Availability for the Fiscal Quarter then ended. If Agent is unable to calculate Average Global Availability for a Fiscal Quarter due to Borrowers' failure to deliver any Borrowing Base Report when required hereunder, then, at the option of Agent or Required Lenders, margins shall be determined as if Level III were applicable until the first day of the calendar month following its receipt.

Canadian Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to Canadian Borrowers; (b) the Rent and Charges Reserve related to the locations of Canadian Borrowers; (c) the Canadian Bank Product Reserve; (d) all accrued Royalties, then due and payable by Canadian Borrowers; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of Canadian Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of Canadian Borrowers; (g) the Canadian Priority Payables Reserve; (h) until the earlier of (x) December 31, 2019 or (y) the date on which Borrowers request that the financial covenant under **Section 10.3(b)** be tested, a reserve equal to all accounts payable of Canadian Borrowers which are more than 90 days past due, excluding any such past due accounts payable to be paid in accordance with a contractual payment schedule with a vendor so long as the Canadian Borrowers comply with such payment schedule; and (i) such additional reserves, in such amounts and with respect to such matters related to Canadian Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

Canadian Borrowing Base: on any date of determination, the Dollar Equivalent amount equal to (1) the lesser of (a) (i) the aggregate Canadian Revolver Commitments, minus (ii) the Canadian Availability Reserve; or (b) the sum of (i) the Canadian Accounts Formula Amount, plus (ii) the Canadian Inventory Formula Amount, minus (iii) the Canadian Availability Reserve, minus (2) that portion of the Line/Collateral Reserve allocated to the Canadian Borrowing Base by the Agent.

Canadian Inventory Formula Amount: the lesser of (i) up to 70% of the Value of Eligible Inventory of Canadian Borrowers, (ii) 85% of the NOLV Percentage of the Value of Eligible Inventory of Canadian Borrowers or (iii) $7,000,000, minus the amount of the U.S. Inventory Formula that is in excess of $26,000,000.

EBITDA: for any period, determined on a consolidated basis for Holdings and its Subsidiaries, Consolidated Net Income for such measurement period, plus, (a) to the extent deducted from Consolidated Net Income for such period and without duplication:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash in connection with Existing Acquisition, this credit facility, the Loan Documents and the Term Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of Accounts or Inventory),

(viii) the aggregate amount of management fees and reimbursement and indemnification payments accrued or paid to Sponsor or its Affiliates for such period prior to the Waiver and Third Amendment Effective Date, to the extent such payments are permitted to be paid or accrued pursuant to the terms hereof and of the Management Agreement;

(ix) transaction fees, costs, and expenses incurred in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed (x) $750,000 in any twelve-month period that includes the Closing Date Acquisition and the closing of this Agreement and (y) $500,000 in any twelve-month period that does not include the Closing Date Acquisition and the closing of this Agreement,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Initial Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Senior Officer of Borrower Agent, and (y) reasonably expected by Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),

(xii) other non-recurring fees and expenses approved by Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "Consolidated EBITDA" under the Term Loan Facility pursuant to clause (a)(xii) of the definition of "Consolidated EBITDA" set forth in the Term Loan Facility,

(xiii) fees, costs and expenses incurred solely in connection with the Revolving Loan Forbearance Agreements and the Term Loan Forbearance Agreements, including forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, but excluding the cost of any audits, appraisals or examinations required under this Agreement,

(xiv) fees, costs and expenses incurred solely in connection with this Waiver and Third Amendment and the Term Loan Waiver and Third Amendment, including amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, and

(xv) the amount of business restructuring charges and fees, costs and expenses incurred between July 1, 2018 and December 31, 2019; provided, that such amount shall not exceed $4,750,000 in the aggregate,

and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication,

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains arising from the write-up of assets (other than with respect to Accounts or Inventory), and

(iii) any non-cash extraordinary gains during such period.

Eligible Inventory: Inventory owned by a Borrower that Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the foregoing, no Inventory shall be Eligible Inventory unless it (a) is finished goods or raw materials, and not work in process, packaging or shipping materials, labels, samples, display items, bags, replacement parts or manufacturing supplies; (b) is not held on consignment, nor subject to any retention of title, conditional sale or similar arrangements nor subject to any deposit or down payment; (c) is in new and saleable condition and is not damaged, defective, shopworn or otherwise unfit for sale; (d) is not slow-moving, perishable, obsolete or unmerchantable, and does not constitute returned or repossessed goods; (e) meets all standards imposed by any Governmental Authority, has not been acquired from a Person subject to any Sanction or on any specially designated nationals list maintained by OFAC or similar list maintained by the Government of Canada, and does not constitute hazardous materials under any Environmental Law; (f) conforms with the covenants and representations herein; (g) is subject to Agent's duly perfected, first priority Lien, and no other Lien, other than those permitted pursuant to Section 10.2(b) (iii), (iv), (vi), (vii) and (xi); (h) is within the continental United States or Canada, is not in transit except between locations of Borrowers, and is not consigned to any Person; (i) is not subject to any warehouse receipt or negotiable Document; (j) is not located on premises where the aggregate Value of all such Inventory located thereon is less than $100,000; (k) is not subject to any License or other arrangement that restricts such Borrower's or Agent's right to dispose of such Inventory, unless Agent has received an appropriate Lien Waiver; and (l) is not located on leased premises or in the possession of a warehouseman, processor, repairman, mechanic, shipper, freight forwarder or other Person, unless the lessor or such Person has delivered a Lien Waiver or an appropriate Rent and Charges Reserve has been established. Without limiting the foregoing, Inventory that has not been sold within twelve months of receipt thereof is not Eligible Inventory.

Letter of Credit Subline: with respect to U.S. Borrowers, $3,000,000, and with respect to Canadian Borrowers, $1,000,000.

Management Agreements: The definition of Management Agreements shall be deleted in its entirety and all references to the Management Agreements contained herein shall be deleted. The deletion of the definition of Management Agreement shall not affect the payment or receipt of management fees accrued prior to the Waiver and Third Amendment Effective Date.

Revolver Termination Date: February 10, 2022; provided, however, that, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

Specified Transaction Conditions: with respect to any Specified Transaction, both before and after giving pro forma effect to any such Specified Transaction, either of the following is true: (i) no Default or Event of Default has occurred and is continuing or would result therefrom, (ii) (A) Global Availability is at least equal to 20.0% of the Revolver Commitment for each of the 30 days preceding and as of the date of such Specified Transaction and (B) the Fixed Charge Coverage Ratio calculated both before and, on a Pro Forma Basis, after giving pro forma effect to such Specified Transaction is not less than 1.1 to 1.0, whether or not a Financial Covenant Trigger Period exists.

Unused Line Fee Rate: if the average daily Revolver Usage is (a) greater than 50% of the Revolving Commitment, a per annum rate equal to 0.375%, or (b) less than or equal to 50% of the Revolving Commitment, a per annum rate equal to 0.5%.

U.S. Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to U.S. Borrowers; (b) the Rent and Charges Reserve related to the locations of U.S. Borrowers; (c) the U.S. Bank Product Reserve; (d) all accrued Royalties, then due and payable by a U.S. Obligor; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of U.S. Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of U.S. Borrowers; (g) until the earlier of (x) December 31, 2019 or (y) the date on which Borrowers request that the financial covenant under **Section 10.3(b)** be tested, a reserve equal to all accounts payable of U.S. Borrowers which are more than 90 days past due, excluding any such past due accounts payable to be paid in accordance with a contractual payment schedule with a vendor so long as the U.S. Borrowers comply with such payment schedule; and (h) such additional reserves, in such amounts and with respect to such matters related to U.S. Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

U.S. Borrowing Base: on any date of determination, an amount equal to (1) the lesser of (a) (i) the aggregate U.S. Revolver Commitments, minus (ii) Canadian Revolver Usage, minus (iii) the U.S. Availability Reserve, or (b) the sum of (i) the U.S. Accounts Formula Amount, plus (ii) the U.S. Inventory Formula Amount, plus (iii) the U.S. FILO Availability Amount, minus (iv) Canadian Revolver Usage; minus (v) the U.S. Availability Reserve, minus (2) that portion of the Line/Collateral Reserve allocated to the U.S. Borrowing Base by the Agent.

U.S. Inventory Formula Amount: the lesser of (i) up to 70% of the Value of Eligible Inventory of U.S. Borrowers, (ii) 85% of the NOLV Percentage of the Value of Eligible Inventory of U.S. Borrowers, or (iii) $26,000,000 or such greater amount, not to exceed $33,000,000, as determined by the U.S. Borrowers in the U.S. Borrowers' Borrowing Base Reports.

(b) Effective as of the Waiver and Third Amendment Effective Date, Section 1.1 of the Loan Agreement is hereby amended to add the following new definitions:

Equity Cure: for any period that any of the Obligors breach the financial covenants set forth in **Section 10.3**, a new cash equity contribution to the equity of the Obligors made within thirty (30) days of the financial statement date (without regard to the date the financial statement is actually delivered to Agent) reflecting the breach of any financial covenants set forth in **Section 10.3** ("Financial Statement Date"), which new cash equity contribution shall be not less than $1,000,000, provided that, the Obligors have also satisfied or caused the satisfaction of the following conditions:

(a) On or prior to the date of delivery of the applicable financial statement as otherwise required under **Section 10.1** reflecting the breach of a financial covenant set forth in **Section 10.3**, Agent is notified in writing by Obligors whether in fact there will be an Equity Cure of such Default; and

(b) the cash equity necessary to make the Equity Cure is funded to the Dominion Account within thirty (30) days of the Financial Statement Date (such thirty-day period being referred to herein as the "Cure Period").

Line/Collateral Reserve: the aggregate amount of $1,000,000, which shall be allocated by Agent to either the U.S. Borrowing Base and/or the Canadian Borrowing Base.

Revolving Loan Forbearance Agreements : that certain Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement, dated as of May 18, 2018, by and among the Obligors, the Agent and the Lenders signatory thereto, that certain First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement dated as of July 16, 2018, by and among the Obligors, the Agent and the Lenders signatory thereto, that certain Second Amendment to Forbearance Agreement dated as of August 15, 2018 by and among the Obligors and the Agent and the Lenders signatory thereto, and that certain Third Amendment to Forbearance Agreement dated as of August 22, 2018 by and among the Obligors, the Agent and the Lenders signatory thereto, each as has been or may be amended, restated, supplemented or otherwise modified from time to time.

Term Loan Forbearance Agreements: that certain Forbearance Agreement and Amendment, dated as of May 18, 2018 by and among the Obligors, the Term Loan Agent and each Term Loan Lender, that certain Amendment No. 1 to Forbearance Agreement dated as of July 16, 2018 by and among the Obligors, the Term Loan Agent and each Term Loan Lender, that certain Amendment No. 2 to Forbearance Agreement dated as of August 15, 2018 by and among the Obligors, the Term Loan Agent and each Term Loan Lender, and that certain Amendment No. 3 to Forbearance Agreement dated as of August 22, 2018 by and among the Obligors, the Term Loan Agent and each Term Loan Lender, each as has been or may be amended, restated, supplemented or otherwise modified from time to time.

(c) Effective as of the Waiver and Third Amendment Effective Date, Section1.1 of the Loan Agreement is amended to delete the definition of "Cash Dominion Trigger Period" in its entirety.

(d) Effective as of the Waiver and Third Amendment Effective Date, footnote 5 included on Schedule 1.1 of the Loan Agreement is amended and restated in its entirety as follows:

[5] Canadian Revolver Commitment is a sublimit of the U.S. Revolver Commitment of Bank of America and is not in addition thereto. The Canadian Revolver Commitment is provided by Bank of America – Canada Branch. The Agent may increase the Canadian Revolver Commitment to $15,000,000 in its sole discretion subject to any amendments as may be necessary to the Intercreditor Agreement.

(e) Effective as of the Waiver and Third Amendment Effective Date, clause (c) of Section 2.1 is hereby amended and restated in its entirety as follows:

(c) Use of Proceeds. The proceeds of Revolver Loans shall be used by Borrowers solely (i) to pay Obligations in accordance with this Agreement; and (ii) for working capital purposes until otherwise consented to by Agent in writing. Borrowers shall not, directly or indirectly, use any Letter of Credit or Revolver Loan proceeds, nor use, lend, contribute or otherwise make available any Letter of Credit or Revolver Loan proceeds to any Subsidiary, joint venture partner or other Person, (x) to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of issuance of the Letter of Credit or funding of the Revolver Loan, is the subject of any Sanction; (y) in any manner that would result in a violation of a Sanction by any Person (including any Secured Party or other individual or entity participating in a transaction); or (z) for any purpose that would breach the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, the Corruption of Foreign Public Officials Act (Canada) or similar Applicable Law in any jurisdiction.

(f) Effective as of the Waiver and Third Amendment Effective Date, Section 2.1 is hereby amended to add the following clause (g):

(g) Increase in Revolver Commitments. Borrowers may request a one-time increase in Revolver Commitments from time to time upon notice to Agent, as long as (a) the requested increase is in the amount of $10,000,000 and is offered on the same terms as existing Revolver Commitments, except for a closing fee specified by Borrowers, and (b) such increase is permitted under the terms of the Intercreditor Agreement. Agent shall promptly notify Lenders of the requested increase and, within 10 Business Days thereafter, each Lender shall notify Agent if and to what extent such Lender commits to increase its Revolver Commitment. Any Lender not responding within such period shall be deemed to have declined an increase. If Lenders fail to commit to the full requested increase, Eligible Assignees may issue additional Revolver Commitments and become Lenders hereunder. Agent may allocate, in its discretion, the increased Revolver Commitments among committing Lenders and, if necessary, Eligible Assignees. Provided the conditions set forth in Section 6.2 are satisfied, total Revolver Commitments shall be increased by the requested amount (or such lesser amount committed by Lenders and Eligible Assignees) on a date agreed upon by Agent and Borrower Agent, but no later than 45 days following Borrowers' increase request. Agent, Borrowers, and new and existing Lenders shall execute and deliver such documents and agreements as Agent deems appropriate to evidence the increase in and allocations of Revolver Commitments. On the effective date of an increase, the Revolver Usage and other exposures under the Revolver Commitments shall be reallocated among Lenders, and settled by Agent as necessary, in accordance with Lenders' adjusted shares of such commitments.

(g) Effective as of the Waiver and Third Amendment Effective Date, Section 5.7 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**5.7** **Dominion Account**. The ledger balance in the main Dominion Account of each Borrower as of the end of a Business Day shall be applied to the applicable Obligations of such Borrower at the beginning of the next Business Day. Any resulting credit balance shall not accrue interest in favor of Borrowers and shall be made available to Borrowers as long as no Default or Event of Default exists.

(h) Effective as of the Waiver and Third Amendment Effective Date, Section 8.1(b) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**8.1.** **Borrowing Base Reports**.

(b) **U.S. Borrowers**. Every Business Day, by 10:00 a.m. (Pacific Standard Time) on each Business Day, U.S. Borrowers shall deliver to Agent a U.S. Borrowing Base Report as of the close of business of the previous day, and at such other times as Agent may request in its Permitted Discretion, provided that, after thirty (30) consecutive days during which the U.S. Availability is greater than $5,000,000, U.S. Borrowers shall deliver U.S. Borrowing Base Reports every week, on or prior to, the Tuesday of each week (or, if Tuesday is not a Business Day, the first Business Day thereafter), and at such other times as Agent may request in its Permitted Discretion. All information (including calculation of U.S. Availability and Global Availability) in a U.S. Borrowing Base Report shall be certified by U.S. Borrowers. Agent may from time to time in its Permitted Discretion adjust any such report (i) to reflect Agent's reasonable estimate of declines in value of ABL Priority Collateral, due to collections received in the Dominion Account or otherwise; (ii) to adjust advance rates to reflect changes in dilution, quality, mix and other factors affecting ABL Priority Collateral; and (iii) to the extent any information or calculation does not comply with this Agreement.

(i) Effective as of the Waiver and Third Amendment Effective Date, clauses (a) and (d) of Section 8.2 of the Loan Agreement are hereby amended and restated to read in their entirety as follows:

**8.2 Accounts**.

(a) Records and Schedules of Accounts. Each Obligor shall keep accurate and complete records of its Accounts, including all payments and collections thereon, and shall submit to Agent sales, collection, reconciliation and other reports in form reasonably satisfactory to Agent, on such periodic basis as Agent may request in its Permitted Discretion. Each Obligor shall also provide to Agent, on or before the 15th day of each calendar month, a detailed aged trial balance of all Accounts as of the end of the preceding calendar month, specifying each Account's Account Debtor name and address, amount, invoice date and due date, showing any discount, allowance, credit, authorized return or dispute, and including such proof of delivery, copies of invoices and invoice registers, copies of related documents, repayment histories, status reports and other information as Agent may request. If Accounts in an aggregate face amount of $500,000 or more cease to be Eligible Accounts, Obligors shall notify Agent of such occurrence promptly (and in any event within one Business Day) after any Obligor has knowledge thereof.

(d) Maintenance of Dominion Account. Each Obligor shall maintain (i) all of its Deposit Accounts, including for the maintenance of operating, lockbox administration, funds transfer, information reporting services and other treasury management services, (other than Excluded Accounts) with Bank of America and its branches; provided, that the Canadian Obligors shall have 120 days after the Closing Date (or such longer period as Agent may determine in its sole discretion) to migrate its respective Deposit Accounts (other than Excluded Accounts) listed on **Schedule 8.5** to Bank of America-Canada Branch; and (ii) each of its Dominion Accounts with Bank of America pursuant to lockbox or other arrangements reasonably acceptable to Agent. Each U.S. Obligor, and within 30 days after the Closing Date, each Canadian Obligor, shall obtain an agreement (in form and substance reasonably satisfactory to Agent) from each lockbox servicer and each Deposit Account bank, establishing Agent's control over and Lien on the lockbox or Deposit Account, requiring immediate deposit of all remittances received in the lockbox or Deposit Account to a Dominion Account, and waiving offset rights of such servicer or bank, except for customary administrative charges. Agent and Lenders assume no responsibility to Obligors for any lockbox arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to any Payment Items accepted by any bank.

(j) Effective as of the Waiver and Third Amendment Effective Date, Section 8.3(a) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**8.3 Inventory**.

(a) Records and Reports of Inventory. Each Obligor shall keep accurate and complete records of its Inventory, including costs and daily withdrawals and additions, and shall submit to Agent inventory and reconciliation reports in form satisfactory to Agent, on or before the 15th day of each calendar month or more frequently, as requested by Agent in its Permitted Discretion. Each Obligor shall conduct a physical inventory at least once per calendar year (and on a more frequent basis if requested by Agent when an Event of Default exists) and periodic cycle counts consistent with historical practices, and shall provide to Agent a report based on each such inventory and count promptly upon completion thereof, together with such supporting information as Agent may request. Agent may participate in and observe each physical count.

(k) Effective as of the Waiver and Third Amendment Effective Date, Section 8.4(a) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**8.4 Equipment**.

(a) Records and Schedules of Equipment. Each Obligor shall keep accurate and complete records of its Equipment, including kind, quality, quantity, cost, acquisitions and dispositions thereof, and shall submit to Agent, on such periodic basis as Agent may request, but not more frequently than once per calendar month or more frequently during the continuation of an Event of Default or a Reporting Trigger Period, a current schedule thereof, in form satisfactory to Agent in its Permitted Discretion. Promptly upon request, Obligors shall deliver to Agent evidence of their ownership or interests in any material Equipment.

(l) Effective as of the Waiver and Third Amendment Effective Date, Section 10.1(a)(i) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**10.1 Affirmative Covenants**.

(a) Inspections; Appraisals.

(i) Reimburse Agent for all reasonable charges, costs and expenses of Agent in connection with (A) examinations of any Obligor's books and records or any other financial or Collateral matters as Agent deems appropriate, up to two times per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); and (B) appraisals of Inventory up to two times per Loan Year (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); provided, however, that on and after January 1, 2020, each Obligor shall reimburse Agent for such charges, costs and expenses of Agent, up to one time per Loan Year for such examinations and up to one time per Loan Year for such appraisals (or, during any Collateral Trigger Period, such additional times as Agent deems appropriate); provided, however, that if an examination or appraisal is initiated during a Default or Event of Default (or as a result of a Collateral Trigger Period), all charges, costs and expenses therefor shall be reimbursed by Obligors without regard to such limits. Obligors agree to pay Agent's then standard charges for examination activities, including the standard charges of Agent's internal examination and appraisal groups, as well as the charges of any third party used for such purposes. No Borrowing Base calculation shall include Collateral acquired in a Permitted Acquisition or otherwise outside the Ordinary Course of Business until completion of applicable field examinations and appraisals (which shall not be included in the limits provided above) satisfactory to Agent.

(m) Effective as of the Waiver and Third Amendment Effective Date, Section 10.1(b)(iii) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

(iii) concurrently with delivery of financial statements under **clauses (i)** and **(ii)** above, or more frequently if requested by Agent while a Financial Covenant Trigger Period is in effect, a Compliance Certificate executed by the chief financial officer of Borrower Agent;

(n) Effective as of the Waiver and Third Amendment Effective Date, Section 10.1 of the Loan Agreement is hereby amended to add the following new clause (n):

(n) Capital Infusion. By no later than August 24, 2018, Borrowers shall obtain the net proceeds of an equity infusion in an aggregate amount not less than $11,000,000 and by no later than August 29, 2018, Borrowers shall obtain the net proceeds of an equity infusion in an aggregate amount not less than $10,000,000, as set forth in Section 4(e) of the Waiver and Third Amendment, each of which equity infusions shall be on terms and conditions satisfactory to Agent.

(o) Effective as of the Waiver and Third Amendment Effective Date, Section 10.2(h)(ii) of the Loan Agreement is hereby amended and restated to read in its entirety :

(h) Restrictions on Payment of Certain Debt.

(ii) Term Loan Obligations except (A) any such payments (other than voluntary prepayments, which are governed by **clause (B)** below) to the extent such payments are not prohibited from being paid pursuant to the terms of the Intercreditor Agreement and (B) voluntary prepayments on or after January 1, 2020, provided, that, (x) the Borrowers shall have delivered the financial statements as of, and for the fiscal year ending, December 31, 2019, in compliance with Section 10.1(b)(i), (y) the Fixed Charge Coverage Ratio of the Borrowers as of the last day of two consecutive fiscal quarters of the Borrowers beginning with the fiscal quarter ending on December 31, 2019 and prior to the voluntary prepayment shall have been not less than 1.10:1:00, and (z) the Specified Transaction Conditions are satisfied in connection therewith;

(p) Effective as of the Waiver and Third Amendment Effective Date, Section 10.2 of the Loan Agreement is hereby amended to add the following new clauses (u) and (v):

(u) Permit fees, costs and expenses incurred in connection with the business restructuring of the Obligors to exceed, in the aggregate, $4,750,000 for the period of July 1, 2018, through December 31, 2019.

(v) Permit any of the Obligors to make payment with respect to fees, costs and expenses incurred in connection with the Private Placements.

(q) Effective as of the Waiver and Third Amendment Effective Date, Section 10.3 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

**10.3. Financial Covenants.** As long as any Revolver Commitments or Obligations are outstanding, Obligors shall:

(a) commencing with the measurement date of July 31, 2018 and continuing until the earlier of (x) December 31, 2019 or (y) the date on which Borrowers request that the financial covenant under clause (b) be tested, maintain EBITDA measured monthly as of the last day of each month on a period to date basis commencing on July 1, 2018 for each measurement date occurring on or before June 30, 2019 and on a trailing 12-month basis thereafter, to be no less than the amounts set forth in the table below; and

| Month Ending | Minimum EBITDA |
|---|---|
| July 31, 2018 | -$ 2,801,000 |
| August 31, 2018 | -$ 3,580,000 |
| September 30, 2018 | -$ 4,255,000 |
| October 31, 2018 | -$ 4,107,000 |
| November 30, 2018 | -$ 3,577,000 |
| December 31, 2018 | -$ 3,157,000 |
| January 31, 2019 | -$ 2,303,000 |
| February 28, 2019 | -$ 1,627,000 |
| March 31, 2019 | $ 178,000 |
| April 30, 2019 | $ 1,341,000 |
| May 31, 2019 | $ 2,365,000 |
| June 30, 2019 | $ 3,194,000 |
| July 31, 2019 | $ 5,296,000 |
| August 31, 2019 | $ 6,952,000 |
| September 30, 2019 | $ 8,450,000 |
| October 31, 2019 | $ 9,497,000 |
| November 30, 2019 | $ 10,372,000 |
| December 31, 2019 | $ 11,135,000 |

(b) commencing on the earlier of, and continuing for all measurement dates thereafter, (x) January 1, 2020 or (y) the measurement date on which Borrowers request that the financial covenant under this clause (b) be tested, maintain a Fixed Charge Coverage Ratio for each 12 month period ending on the date of measurement of at least 1.0 to 1.0.

(r) Effective as of the Waiver and Third Amendment Effective Date, Section 11.1(c) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

(c) An Obligor breaches or fails to perform any covenant contained in Section 7.2, 7.3, 7.4, 8.1, 8.2(d), 8.2(e), 8.6(b), 10.1(a), 10.1(b) (other than clauses (vii), (viii) and (ix) therein), 10.1(m), 10.1(n), 10.2, 10.3 or 14.19, provided that as to 10.3, breaches thereunder are subject to an Equity Cure but which may not be exercised more than (i) three times in any trailing twelve month period; (ii) five times on and before the Revolver Termination Date; and (iii) two times during two consecutive calendar months, in each case, for all breaches of for all breaches of **Section 10.3** in the aggregate;

**SECTION 7.** **Representations and Warranties**. Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Waiver and Third Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Waiver and Third Amendment Effective Date and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Waiver and Third Amendment nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Waiver and Third Amendment;

(d) as of the date hereof and after giving effect to this Waiver and Third Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents other than the Specified Defaults.

**SECTION 8. Acknowledgment and Reaffirmation**

(a) Acknowledgment of Debts. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates that:

(i) interest has accrued on the Obligations since May 18, 2018 at the Default Rate under the Loan Documents, is due and payable and shall be paid by the Obligors on the Waiver and Third Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(ii) fees, late fees, reimbursable and indemnifiable amounts, and other amounts have accrued under each of the Loan Documents and shall continue to accrue and be payable pursuant to the Loan Documents;

(iii) effective as of the Waiver and Third Amendment Effective Date, the Waiver and Third Amendment Fee shall be fully earned by the Lenders and shall be paid by the Obligors on the Waiver and Third Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

(iv) all of the Obligations, including, without limitation, the Obligations described in the foregoing clauses (i) through (iii), are (or, in the case of clause (iii), from and after the Waiver and Third Amendment Effective Date will be) unconditionally owing by the Obligors to the Lenders and the Agent without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Acknowledgment of Guaranties. Each of the Obligors, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(i) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(ii) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents;
(y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(iii) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(iv) that each Obligor consents to the execution and delivery of this Waiver and Third Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Waiver and Third Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(v) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(vi) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(vii) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent;

(viii) the execution and delivery of this Waiver and Third Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(ix) neither any Lender nor the Agent is required to make any loan advance to any Obligor under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Agent and subject to such conditions and the payment of such fees as each such Lender and the Agent requires in their sole discretion.

**SECTION 9. Ratification; Waiver of Defenses; Indemnity and Release**.

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 9 shall be effective on the Waiver and Third Amendment Effective Date regardless of whether any post-Waiver and Third Amendment Effective Date conditions to this Waiver and Third Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Waiver and Third Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Waiver and Third Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Waiver and Third Amendment shall be effective on the Waiver and Third Amendment Effective Date regardless of whether any post-Waiver and Third Amendment Effective Date conditions to this Waiver and Third Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Waiver and Third Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Waiver and Third Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Waiver and Third Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 3 or Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents (including, without limitation, the Specified Defaults), whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. Subject to the waiver in respect of the Specified Defaults set forth in Section 3 and the amendment set forth in Section 6, the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. Each of Obligors expressly acknowledges the occurrence and continued existence of the Specified Defaults. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation (i) to grant the waiver contemplated by this Waiver and Third Amendment, (ii) to enter into discussions with the Obligors with regard to waiving the Specified Defaults, or (iii) to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Waiver and Third Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS WAIVER AND THIRD AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 9 OF THIS WAIVER AND THIRD AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS WAIVER AND THIRD AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS WAIVER AND THIRD AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 9(g) will be applicable only if the jury trial waiver set forth in Section 9(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 9(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 9(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 10. No Novation; Reservation of Rights**.

(a) No Novation. This Waiver and Third Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Waiver and Third Amendment nor any payments made or other actions taken pursuant to this Waiver and Third Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that all Obligations are and shall remain payable in accordance with the terms and conditions of the Loan Agreement and this Waiver and Third Amendment.

(b) Reservation of Rights. Subject to Section 3 and Section 6, each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Events of Default, other than the Specified Events of Default, arising under the Loan Documents that may be continuing on the Waiver and Third Amendment Effective Date or any Default or Event of Default arising under the Loan Documents that may occur after the Waiver and Third Amendment Effective Date, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Waiver and Third Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies.

(c) Notwithstanding anything to the contrary set forth herein (including, without limitation, the provisions of Section 3), nothing in this Waiver and Third Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(d) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Waiver and Third Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 11.** **Further Assurances**. Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Waiver and Third Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 12.** **Counterparts**. This Waiver and Third Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Waiver and Third Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Waiver and Third Amendment.

**SECTION 13.** **Successors and Assigns**. The provisions of this Waiver and Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 14.** **Severability**. If any provision of this Waiver and Third Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Waiver and Third Amendment in any jurisdiction.

**SECTION 15.** **Governing Law**. **THIS WAIVER AND THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS WAIVER AND THIRD AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 16.** **Expenses**. The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Waiver and Third Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 17.** **Miscellaneous**. The parties hereto shall, at any time and from time to time following the execution of this Waiver and Third Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Waiver and Third Amendment.

**SECTION 18.** **Headings**. Section headings in this Waiver and Third Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Waiver and Third Amendment.

**SECTION 19.** **Entire Agreement**. This Waiver and Third Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Waiver and Third Amendment, are totally superseded and merged into this Waiver and Third Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Waiver and Third Amendment has not established any course of dealing between the parties hereto.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Waiver and Third Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINDS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**GS DISTRIBUTION INC.,**
a British Columbia corporation

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,** as
Agent and Lender

By: /s/ Matthew R. Van Steenhuyse
Name: Matthew R. Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew R. Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada Branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

**SCHEDULE I**

Current Defaults

EXHIBIT A

Term Loan Waiver and Amendment No. 3

**Exhibit 10.6**

**FOURTH AMENDMENT TO**
**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

This **FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of March 15, 2019 (this "Fourth Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC**, a Delaware limited liability company ("EHH"), and **SUNBLASTER LLC**, a Delaware limited liability company ("SunBlaster" and together with Hydrofarm and EHH, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC**, a Delaware limited liability company ("Hydrofarm Canada"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi")) and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.**, a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**R E C I T A L S**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, the Obligors have requested that the Lenders and the Agent amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions**. Unless otherwise defined herein, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** **Amendments to Loan Agreement**.

(a) New Definition. The following definitions are hereby added to Section 1.1 of the Loan Agreement in alphabetical order:

Fourth Amendment: that certain Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of March 15, 2019 by and among, each Obligor, Lenders and Agent.

Fourth Amendment Availability Block: $2,500,000.

Fourth Amendment Effectiveness Date: March 15, 2019.

Sponsor Group: collectively, means Hawthorn Equity Partners, Broadband Capital Investments, Serruya Private Equity, Peter Wardenburg and their affiliates, and shareholders that have designated their voting rights to any of the Sponsor Group.

(b) Amended Definitions. The following definitions in Section 1.1 of the Loan Agreement are hereby amended and restated to read in their entirety as follows:

Applicable Margin: (i) with respect to Canadian Prime Rate Revolver Loans, Canadian Base Rate Revolver Loans and U.S. Base Rate Revolver Loans, 2.00% and (ii) with respect to Canadian BA Rate Revolver Loans, Canadian LIBOR Revolver Loans and U.S. LIBOR Revolver Loans, 3.00%.

Canadian Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to Canadian Borrowers; (b) the Rent and Charges Reserve related to the locations of Canadian Borrowers; (c) the Canadian Bank Product Reserve; (d) all accrued Royalties, then due and payable by Canadian Borrowers; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of Canadian Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of Canadian Borrowers; (g) the Canadian Priority Payables Reserve; (h) a reserve equal to all accounts payable of Canadian Borrowers which are more than 90 days past due, excluding any such past due accounts payable to be paid in accordance with a contractual payment schedule with a vendor so long as the Canadian Borrowers comply with such payment schedule; and (i) such additional reserves, in such amounts and with respect to such matters related to Canadian Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

Canadian Borrowing Base: on any date of determination, the Dollar Equivalent amount equal to the lesser of (a) (i) the aggregate Canadian Revolver Commitments, minus (ii) the Canadian Availability Reserve; or (b) the sum of (i) the Canadian Accounts Formula Amount, plus (ii) the Canadian Inventory Formula Amount, minus (iii) the Canadian Availability Reserve.

Change of Control: (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in a Borrower or any other Obligor; (b) Hydrofarm Holdings Group, Inc. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Hydrofarm Investment Corp.; (c) Hydrofarm Investment Corp. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Holdings; (d) Sponsor or any Co-Investor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Hydrofarm Holdings Group, Inc. representing at least 50.1% of the voting power and at least 50.1% of the economic interest represented by the Equity Interests of Hydrofarm Holdings Group, Inc. held by Sponsor or such Co-Investor, respectively, on the Fourth Amendment Effectiveness Date; (e) the Sponsor Group shall cease, for any reason, to have, collectively, the right or ability by voting power, contract or otherwise to, directly or indirectly, elect or designate for election a majority (in number and in voting power) of the members of the board of directors, board of managers or similar governing body of Hydrofarm Holdings Group, Inc.; (f) any "change of control" (or similar term) under the Term Loan Facility, the Term Loan Documents or any Subordinated Debt, while outstanding, shall have occurred; or (g) Hydrofarm Holdings Group, Inc. shall become a direct or indirect Subsidiary of any Person.

EBITDA: for any period, determined on a consolidated basis for Holdings and its Subsidiaries, Consolidated Net Income for such measurement period, plus, (a) to the extent deducted from Consolidated Net Income for such period and without duplication:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash in connection with Existing Acquisition, this credit facility, the Loan Documents and the Term Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of Accounts or Inventory),

(viii) the aggregate amount of management fees and reimbursement and indemnification payments accrued or paid to Sponsor or its Affiliates for such period prior to the Waiver and Third Amendment Effective Date, to the extent such payments are permitted to be paid or accrued pursuant to the terms hereof and of the Management Agreement;

(ix) transaction fees, costs, and expenses incurred in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed (x) $750,000 in any twelve-month period that includes the Closing Date Acquisition and the closing of this Agreement and (y) $500,000 in any twelve-month period that does not include the Closing Date Acquisition and the closing of this Agreement,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Initial Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Senior Officer of Borrower Agent, and (y) reasonably expected by Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),

(xii) other non-recurring fees and expenses approved by Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "Consolidated EBITDA" under the Term Loan Facility pursuant to clause (a)(xii) of the definition of "Consolidated EBITDA" set forth in the Term Loan Facility,

(xiii) fees, costs and expenses incurred solely in connection with the Revolving Loan Forbearance Agreements and the Term Loan Forbearance Agreements, including forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, but excluding the cost of any audits, appraisals or examinations required under this Agreement,

(xiv) fees, costs and expenses incurred solely in connection with the Waiver and Third Amendment and the Term Loan Waiver and Third Amendment, including amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals,

(xv) fees, costs and expenses incurred solely in connection with the Fourth Amendment and the Term Loan Fourth Amendment, including amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals; provided, that such amount (together with the amounts under clause (xvi) below) shall not exceed the aggregate amount of $2,000,000,

(xvi) the amount of business restructuring charges and fees, costs and expenses incurred between January 1, 2019 and December 31, 2019; provided, that such amount (together with the amounts under clause (xv) above) shall not exceed $2,000,000 in the aggregate, and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication,

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains arising from the write-up of assets (other than with respect to Accounts or Inventory), and

(iii) any non-cash extraordinary gains during such period.

Permitted Acquisition: any Acquisition by an Obligor (other than Holdings) or a Subsidiary as long as (a) Agent has provided its prior written consent thereto; (b) the Acquisition is consensual; (c) the assets, business or Person being acquired is useful or engaged in the business of Obligors and Subsidiaries or reasonably related thereto, is located or organized within the United States, and had pro forma positive EBITDA for the 12 month period most recently ended; (d) no Debt or Liens are assumed or incurred, except as permitted by **Sections 10.2(a)(vi)**, **10.2(a)(ix)** and **10.2(b)(x)**; (e) Agent, on behalf of the Secured Parties, shall have received (or shall receive in connection with the closing of such Acquisition) a perfected security interest (having the priority set forth in the Intercreditor Agreement) in all Property (including, without limitation, Equity Interests) acquired with respect to Person being acquired in accordance with the terms hereof; (f) such Acquisition shall be permitted under the Term Loan Facility; and (g) Borrower Agent delivers to Agent, at least ten Business Days prior to the Acquisition, copies of all draft material agreements relating thereto and a certificate, in form and substance reasonably satisfactory to Agent, stating that the Acquisition is a "Permitted Acquisition" and demonstrating compliance with the foregoing requirements, and on the date that is at least three days prior (or such shorter period agreed to in writing by Agent in its sole discretion) to the Acquisition, copies of all material documents in final form.

Restricted Investment: any Investment by an Obligor or Subsidiary, other than (a) Investments in Subsidiaries to the extent existing on the Closing Date; (b) Cash Equivalents that are subject to Agent's Lien and control, pursuant to documentation in form and substance satisfactory to Agent; (c) loans and advances permitted under **Sections 10.2(a)** and **10.2(g)**; (d) Permitted Acquisitions; (e) Investments consisting of bank deposits in the Ordinary Course of Business; (f) Investments consisting of contributions of capital or asset transfers to Borrowers or Guarantors, so long as no Change of Control occurs as a result thereof; (g) Investments by way of Revolver Loans permitted by Section 10.2(g); (h) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts; (i) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby; and (j) the Existing Acquisition, Asset Acquisitions and, upon the satisfaction of the Share Acquisition Conditions, the Share Acquisition.

Revolver Termination Date: June 1, 2019 which shall be extended to June 30, 2019 if prior to June 1, 2019, Agent receives (x) a fully executed commitment letter for the benefit of Borrowers in form and substance satisfactory to Agent, which reflects a commitment by a third party lender to provided financing to Borrowers subject to customary closing conditions and (y) written confirmation from the Term Loan Agent that the terms of such commitment letter constitute a Permitted Refinancing Revolving Loan Facility; provided, however, that, in each case, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

Specified Distributions: dividend and distribution payments made by the Obligors (other than Holdings) to Holdings, for further concurrent distribution to the members of Holdings (other than distributions or dividends permitted pursuant to clause (a) or (c) of the definition of Permitted Distributions), in each case subject to the prior written consent of Agent.

U.S. Availability Reserve: the sum (without duplication) of (a) the Inventory Reserve with respect to U.S. Borrowers; (b) the Rent and Charges Reserve related to the locations of U.S. Borrowers; (c) the U.S. Bank Product Reserve; (d) all accrued Royalties, then due and payable by a U.S. Obligor; (e) the aggregate amount of liabilities secured by Liens upon the ABL Priority Collateral of U.S. Borrowers that are senior to Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (f) the Dilution Reserve applicable to the Accounts of U.S. Borrowers; (g) a reserve equal to all accounts payable of U.S. Borrowers which are more than 90 days past due, excluding any such past due accounts payable to be paid in accordance with a contractual payment schedule with a vendor so long as the U.S. Borrowers comply with such payment schedule; and (h) such additional reserves, in such amounts and with respect to such matters related to U.S. Obligors, as Agent in its Permitted Discretion may elect to impose from time to time.

U.S. Borrowing Base: on any date of determination, an amount equal to the lesser of (a) (i) the aggregate U.S. Revolver Commitments, minus (ii) Canadian Revolver Usage, minus (iii) the U.S. Availability Reserve, minus (iv) the Fourth Amendment Availability Block, or (b) the sum of (i) the U.S. Accounts Formula Amount, plus (ii) the U.S. Inventory Formula Amount, plus, minus (iii) Canadian Revolver Usage; minus (iv) the U.S. Availability Reserve, minus (v) the Fourth Amendment Availability Block.

(c) Financial Covenants. Section 10.3 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

10.3 **Financial Covenants**. As long as any Revolver Commitments or Obligations are outstanding, Obligors shall:

(a) commencing with the measurement date of November 30, 2018, maintain EBITDA measured monthly as of the last day of each month on a period to date basis for the period commencing on November 1, 2018 for each measurement date occurring on or before October 31, 2019 and on a trailing 12-month basis thereafter, to be no less than the amounts set forth in the table below:

| Month Ending | Minimum EBITDA (amounts in parenthesis are negative) |
|---|---|
| November 30, 2018 | ($2,455,000) |
| December 31, 2018 | ($3,515,000) |
| January 31, 2019 | ($4,166,000) |
| February 28, 2019 | ($4,507,000) |
| March 31, 2019 | ($3,925,000) |
| April 30, 2019 | ($2,972,000) |
| May 31, 2019 | ($2,384,000) |
| June 30, 2019 | ($2,185,000) |
| July 31, 2019 | ($1,942,000) |
| August 31, 2019 | ($1,537,000) |
| September 30, 2019 | ($1,356,000) |
| October 31, 2019 | ($853,000) |
| November 30, 2019 | $335,000 |
| December 31, 2019 | $1,832,000 |

(d) New Affirmative Covenant. The following is hereby added to the Loan Agreement as Section 10.1(n):

(n) Lender Calls. At Agent's request, the Obligors' senior management shall, and shall cause its financial advisors (if any) to, hold monthly conference calls or in-person meetings with the Agent and the Lenders during which (i) the Obligors' senior management shall, and shall cause any financial advisor to, provide the Agent with a reasonably detailed update of the Obligors' operations and financial position and (ii) the Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Obligors' senior management and the any financial advisor with respect to the Obligors' operations and financial position.

(e) Restrictions on Payment of Certain Debt. Clauses (ii), (iv) and (v) of section 10.2(h) of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

(ii) Term Loan Obligations except (A) any such payments (other than voluntary prepayments, which are governed by clause (B) below) to the extent such payments are not prohibited from being paid pursuant to the terms of the Intercreditor Agreement and (B) voluntary prepayments upon the Agent's prior written consent;

(iv) Borrowed Money (other than the Obligations, Subordinated Debt, the Term Loan Obligations or the Permitted Affiliate Sub Debt), except (A) required payments under the agreements evidencing such Debt as in effect on the Closing Date (or as amended thereafter with the consent of Agent), (B) payments in an aggregate amount not to exceed $500,000 in any Fiscal Year or (C) other payments to the extent Agent has provided its prior written consent thereto; and

(v) Earnout Obligations to the extent Agent has provided its prior written consent thereto.

**SECTION 3.** **Amendment to Schedule 1.1**. Schedule 1.1 to the Loan Agreement is replaced with Schedule 1.1 attached hereto.

**SECTION 4.** **Amendment to Term Loan/Entry of Side Letter**.

(a) Lenders and the Agent hereby consents to the entry by the Obligors into that certain Amendment No. 4 to Credit Agreement, dated March 15, 2019, among the Term Loan Agent, each Term Loan Lender, and the Obligors, in the form attached hereto as Exhibit A (the "Term Loan Amendment No. 4").

(b) For all purposes of the Loan Agreement, the other Loan Documents and the Intercreditor Agreement (including, without limitation, Section 10.1(l) of the Loan Agreement), Agent and the Lenders hereby (i) consent to the entry by the Obligors, the Term Loan Agent, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp. into that certain Side Letter Agreement, dated as of the date hereof (the "Term Loan Side Letter Agreement"), (ii) the consummation of each of the transactions contemplated by the Term Loan Side Letter Agreement, and (iii) acknowledge that the Obligors shall not be required to comply with the provisions of Section 10.1(l) of the Loan Agreement in connection with any of the matters or transactions described in the Term Loan Side Letter Agreement.

**SECTION 5.** **Term Loan Voluntary Prepayment**. Borrowers have informed Agent and Lenders that U.S. Borrower intends to make a voluntary prepayment of the Term Loan in the amount of $3,000,000. Pursuant to the Waiver and Third Amendment, no voluntary prepayments of the Term Loan may be made without the prior consent from Agent and Lenders. Agent and Lenders hereby consent to the voluntary prepayment of the Term Loan so long as (i) such prepayment is made by no later than March [__], 2019, (ii) the aggregate amount of the prepayment does not exceed $3,000,000, (iii) to entire amount of such prepayment is applied to the principal balance of the Term Loan, (iv) no Default or Event of Default exists immediately before or after giving effect to such prepayment, and (v) contemporaneous with such prepayment, Borrower receives an equity contribution from Holdings with the net proceeds of such equity contribution not to be less than the aggregate amount of the prepayment of the Term Loan. Nothing in this Fourth Amendment shall be construed to (i) constitute a waiver with respect to any other default or non-compliance by the Obligors with respect to the Loan Documents; or (ii) impair any right or remedy that the Agent or Lenders may now have or may have in the future under or in connection with any default or non-compliance under any Loan Document.

**SECTION 6.** **Amendment Fee**. An amendment fee in the amount of $100,000 (the "Fourth Amendment Fee") shall be fully earned by the Agent and the Lenders and non-refundable as of the Fourth Amendment Effective Date, and shall be paid by the Obligors on the Fourth Amendment Effective Date as a U.S. Base Rate Loan pursuant to Section 4.1(a)(ii) of the Loan Agreement.

**SECTION 7.** **Conditions Precedent**. This Fourth Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion:

(a) the Agent shall have received an executed counterpart of this Fourth Amendment duly executed by each of the Obligors and each of the Lenders;

(b) the Term Loan Agent and each Term Loan Lender shall have entered into the Term Loan Amendment No. 4 and the Obligors shall have delivered a certified copy of such Term Loan Amendment No. 4 to the Agent and each of the Lenders, and such Term Loan Amendment No. 4 shall be in form and substance acceptable to the Agent;

(c) all representations and warranties contained in this Fourth Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(d) no Default or Event of Default shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents; and

(e) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

**SECTION 8.** **Representations and Warranties**. Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Fourth Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Fourth Amendment Effective Date and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Fourth Amendment nor the consummation of any of the transactions contemplated hereby or thereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Fourth Amendment;

(d) as of the date hereof and after giving effect to this Fourth Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents.

**SECTION 9.** **Acknowledgment and Reaffirmation** Each Obligor, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(d) that each Obligor consents to the execution and delivery of this Fourth Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Fourth Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent; and

(h) the execution and delivery of this Fourth Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents.

**SECTION 10. Ratification; Waiver of Defenses; Indemnity and Release**.

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 10 shall be effective on the Fourth Amendment Effectiveness Date regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Fourth Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Fourth Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Fourth Amendment shall be effective on the Fourth Amendment Effectiveness Date regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Fourth Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Fourth Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Fourth Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents, whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. The Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Fourth Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS FOURTH AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 9 OF THIS FOURTH AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS FOURTH AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS FOURTH AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 9(g) will be applicable only if the jury trial waiver set forth in Section 9(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 9(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 9(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 11. No Novation; Reservation of Rights**.

(a) No Novation. This Fourth Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Fourth Amendment nor any payments made or other actions taken pursuant to this Fourth Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that all Obligations are and shall remain payable in accordance with the terms and conditions of the Loan Agreement and this Fourth Amendment.

(b) Reservation of Rights. Subject to Section 6, each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Events of Default, arising under the Loan Documents that may be continuing on the Fourth Amendment Effectiveness Date or any Default or Event of Default arising under the Loan Documents that may occur after the Fourth Amendment Effectiveness Date, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Fourth Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies.

(c) Notwithstanding anything to the contrary set forth herein, nothing in this Fourth Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(d) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Fourth Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 12.** **Further Assurances**. Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Fourth Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 13.** **Counterparts**. This Fourth Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Fourth Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Fourth Amendment.

**SECTION 14.** **Successors and Assigns**. The provisions of this Fourth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 15.** **Severability**. If any provision of this Fourth Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Fourth Amendment in any jurisdiction.

**SECTION 16.** **Governing Law**. **THIS FOURTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS FOURTH AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 17.** **Expenses**. The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Fourth Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 18.** **Miscellaneous**. The parties hereto shall, at any time and from time to time following the execution of this Fourth Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Fourth Amendment.

**SECTION 19.** **Headings**. Section headings in this Fourth Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Fourth Amendment.

**SECTION 20.** **Entire Agreement**. This Fourth Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Fourth Amendment, are totally superseded and merged into this Fourth Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Fourth Amendment has not established any course of dealing between the parties hereto.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF**, this Fourth Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Matthew Van Steenhuyse
Name: Matthew Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

SCHEDULE 1.1
to
Amended and Restated Loan and Security Agreement

**REVOLVER COMMITMENTS OF LENDERS**

| Lender | U.S. Revolver Commitment | Canadian Revolver Commitment |
|---|---|---|
| Bank of America, N.A. | $ 45,000,000 | $ 10,000,000[1] |

[1] Canadian Revolver Commitment is a sublimit of the U.S. Revolver Commitment of Bank of America and is not in addition thereto. The Canadian Revolver Commitment is provided by Bank of America – Canada Branch.

EXHIBIT A

Term Loan Amendment No. 4

**Exhibit 10.7**

**FIFTH AMENDMENT TO**
**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

This **FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of May 31, 2019 (this "Fifth Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC,** a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC,** a Delaware limited liability company ("EHH"), and **SUNBLASTER LLC,** a Delaware limited liability company ("SunBlaster" and together with Hydrofarm and EHH, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC,** a Delaware limited liability company ("Hydrofarm Canada"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi") and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.,** a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**RECITALS**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, the Obligors have requested that the Lenders and the Agent amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions.** Unless otherwise defined herein, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** **Amendment to Loan Agreement.** The following definition in Section 1.1 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

> Revolver Termination Date: June 10, 2019 which shall be extended to June 30, 2019 if on or prior to June 10, 2019, Agent receives (x) a fully executed commitment letter for the benefit of Borrowers in form and substance satisfactory to Agent, which reflects a commitment by a third party lender to provided financing to Borrowers subject to customary closing conditions and (y) written confirmation from the Term Loan Agent that the terms of such commitment letter constitute a Permitted Refinancing Revolving Loan Facility; provided, however, that, in each case, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

**SECTION 3.** **Conditions Precedent.** This Fifth Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion:

(a) the Agent shall have received an executed counterpart of this Fifth Amendment duly executed by each of the Obligors and each of the Lenders;

(b) all representations and warranties contained in this Fifth Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(c) no Default or Event of Default shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

(d) the Term Loan Agent and each Term Loan Lender shall have consented to the execution of this Fifth Amendment; and

(e) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

**SECTION 4.** **Representations and Warranties.** Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Fifth Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the date hereof and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Fifth Amendment nor the consummation of any of the transactions contemplated hereby or thereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Fifth Amendment;

(d) as of the date hereof and after giving effect to this Fifth Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents.

**SECTION 5.** **Acknowledgment and Reaffirmation** Each Obligor, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(d) that each Obligor consents to the execution and delivery of this Fifth Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Fifth Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent; and

(h) the execution and delivery of this Fifth Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents.

**SECTION 6. Ratification; Waiver of Defenses; Indemnity and Release.**

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof.

The waivers, releases, and discharges in this Section 6 shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Fifth Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Fifth Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Fifth Amendment shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Fifth Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Fifth Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Fifth Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents, whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. The Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Fifth Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS FIFTH AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 6 OF THIS FIFTH AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS FIFTH AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS FIFTH AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 6(g) will be applicable only if the jury trial waiver set forth in Section 6(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 6(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 6(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 7. No Novation; Reservation of Rights.**

(a) No Novation. This Fifth Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Fifth Amendment nor any payments made or other actions taken pursuant to this Fifth Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that all Obligations are and shall remain payable in accordance with the terms and conditions of the Loan Agreement and this Fifth Amendment.

(b) Reservation of Rights. Each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Events of Default, arising under the Loan Documents that may be continuing on the date hereof or any Default or Event of Default arising under the Loan Documents that may occur after the date hereof, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Fifth Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies.

(c) Notwithstanding anything to the contrary set forth herein, nothing in this Fifth Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(d) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Fifth Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 8.** **Further Assurances.** Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Fifth Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 9.** **Counterparts.** This Fifth Amendment may be executed by the parties

hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Fifth Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Fifth Amendment.

**SECTION 10.** **Successors and Assigns.** The provisions of this Fifth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 11.** **Severability.** If any provision of this Fifth Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Fifth Amendment in any jurisdiction.

**SECTION 12.** **Governing Law. THIS FIFTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS FIFTH AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 13.** **Expenses.** The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Fifth Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 14.** **Miscellaneous.** The parties hereto shall, at any time and from time to time following the execution of this Fifth Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Fifth Amendment.

**SECTION 15.** **Headings.** Section headings in this Fifth Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Fifth Amendment.

**SECTION 16.** **Entire Agreement.** This Fifth Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Fifth Amendment, are totally superseded and merged into this Fifth Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Fifth Amendment has not established any course of dealing between the parties hereto.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Fifth Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name:
Title:

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Matthew Van Steenhuyse
Name: Matthew Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

**Exhibit 10.8**

**SIXTH AMENDMENT TO**
**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

This **SIXTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of June 10, 2019 (this "Sixth Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC,** a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC,** a Delaware limited liability company ("EHH"), and **SUNBLASTER LLC,** a Delaware limited liability company ("SunBlaster" and together with Hydrofarm and EHH, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC,** a Delaware limited liability company ("Hydrofarm Canada"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi") and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.,** a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**RECITALS**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full perfoiniance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, the Obligors have requested that the Lenders and the Agent amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions.** Unless otherwise defined herein, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** **Amendment to Loan Agreement.** The following definition in Section 1.1 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

Revolver Termination Date: June 17, 2019 which shall be extended to June 28, 2019 if on or prior to June 17, 2019, Agent receives (x) a fully executed commitment letter for the benefit of Borrowers in form and substance satisfactory to Agent, which reflects a commitment by a third party lender to provided financing to Borrowers subject to customary closing conditions and (y) written confiiniation from the Term Loan Agent that the terms of such commitment letter constitute a Permitted Refinancing Revolving Loan Facility; provided, however, that, in each case, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

**SECTION 3.** **Conditions Precedent.** This Sixth Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion:

(a) the Agent shall have received an executed counterpart of this Sixth Amendment duly executed by each of the Obligors and each of the Lenders;

(b) all representations and warranties contained in this Sixth Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(c) no Default or Event of Default shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

(d) the Tenn Loan Agent and each Tenn Loan Lender shall have consented to the execution of this Sixth Amendment; and

(e) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

**SECTION 4.** **Representations and Warranties.** Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Sixth Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the date hereof and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Sixth Amendment nor the consummation of any of the transactions contemplated hereby or thereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Sixth Amendment;

(d) as of the date hereof and after giving effect to this Sixth Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents.

**SECTION 5.** **Acknowledgment and Reaffirmation** Each Obligor, jointly and severally, hereby acknowledges, agrees, confiuins, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(d) that each Obligor consents to the execution and delivery of this Sixth Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Sixth Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the teiins of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent; and

(h) the execution and delivery of this Sixth Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents.

**SECTION 6. Ratification; Waiver of Defenses; Indemnity and Release.**

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 6 shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Sixth Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor, expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Sixth Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Sixth Amendment shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Sixth Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Sixth Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Sixth Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents, whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. The Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Sixth Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS SIXTH AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 6 OF THIS SIXTH AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIFS' ENTERING INTO THIS SIXTH AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVTFWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS SIXTH AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 6(g) will be applicable only if the jury trial waiver set forth in Section 6(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 6(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 6(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 7. No Novation; Reservation of Rights.**

(a) No Novation. This Sixth Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Sixth Amendment nor any payments made or other actions taken pursuant to this Sixth Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that all Obligations are and shall remain payable in accordance with the terms and conditions of the Loan Agreement and this Sixth Amendment.

(b) Reservation of Rights. Each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Events of Default, arising under the Loan Documents that may be continuing on the date hereof or any Default or Event of Default arising under the Loan Documents that may occur after the date hereof, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Sixth Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies.

(c) Notwithstanding anything to the contrary set forth herein, nothing in this Sixth Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(d) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Sixth Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 8.** **Further Assurances.** Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Sixth Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 9.** **Counterparts.** This Sixth Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Sixth Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Sixth Amendment.

**SECTION 10.** **Successors and Assigns.** The provisions of this Sixth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 11.** **Severability.** If any provision of this Sixth Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Sixth Amendment in any jurisdiction.

**SECTION 12.** **Governing Law. THIS SIXTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS SIXTH AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 13.** **Expenses.** The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Sixth Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 14.** **Miscellaneous.** The parties hereto shall, at any time and from time to time following the execution of this Sixth Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Sixth Amendment.

**SECTION 15.** **Headings.** Section headings in this Sixth Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Sixth Amendment.

**SECTION 16.** **Entire Agreement.** This Sixth Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Sixth Amendment, are totally superseded and merged into this Sixth Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Sixth Amendment has not established any course of dealing between the parties hereto.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Sixth Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware-limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name:
Title:

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/Matthew Van Steenhuyse
Name: Matthew Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Medina Sales de Andrade
Name: Medina Sales de Andrade
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

**Exhibit 10.9**

**SEVENTH AMENDMENT TO**
**AMENDED AND RESTATED**
**LOAN AND SECURITY AGREEMENT**

This **SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT,** dated as of June 27, 2019 (this "Seventh Amendment"), is made and entered into by and among **HYDROFARM HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), **HYDROFARM, LLC,** a California limited liability company ("Hydrofarm"), **EHH HOLDINGS, LLC,** a Delaware limited liability company ("EHH"), and **SUNBLASTER LLC,** a Delaware limited liability company ("SunBlaster" and together with Hydrofarm and EHH, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), **HYDROFARM CANADA, LLC,** a Delaware limited liability company ("Hydrofarm Canada"), **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company ("Eddi") and **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company ("Sunblaster Canada"; together with GSD and Eddi, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers" and together with Holdings and Hydrofarm Canada, each an "Obligor" and collectively the "Obligors"), and **BANK OF AMERICA, N.A.,** a national banking association, as administrative agent (in such capacity, "Agent") for the financial institutions from time to time party to the Loan Agreement described below (collectively, the "Lenders" and each individually a "Lender") and the Lenders signatory hereto.

**RECITALS**

WHEREAS, the Obligors, Agent, and the Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which, among other things, Lenders agreed, subject to the terms and conditions set forth in the Loan Agreement, to make certain loans and other financial accommodations to Borrowers.

WHEREAS, Holdings, Hydrofarm Canada, and Agent are parties to that certain Amended and Restated Guaranty, dated as of November 8, 2017 (as has been or may be amended, restated, supplemented or others modified from time to time, the "Guaranty"), pursuant to which Holdings and Hydrofarm Canada unconditionally guaranteed Borrowers' prompt and full performance of their Obligations under the Loan Agreement and the other Loan Documents.

WHEREAS, the Obligors have requested that the Lenders and the Agent amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** **Definitions.** Unless otherwise defined herein, each capitalized term used herein shall have the meaning ascribed thereto in the Loan Agreement.

**SECTION 2.** **Amendment to Loan Agreement.** The following definition in Section 1.1 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

Revolver Termination Date: July 10, 2019; provided, however, that, in each case, if such date is not a Business Day, the Revolver Termination Date shall be the immediately preceding Business Day.

**SECTION 3.** **Conditions Precedent.** This Seventh Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Agent's sole discretion:

(a) the Agent shall have received an executed counterpart of this Seventh Amendment duly executed by each of the Obligors and each of the Lenders;

(b) all representations and warranties contained in this Seventh Amendment shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(c) no Default or Event of Default shall have occurred and be continuing under the Loan Agreement or any of the other Loan Documents;

(d) the Term Loan Agent and each Term Loan Lender shall have consented to the execution of this Seventh Amendment; and

(e) the Obligors shall have paid all costs and expenses of the Agent (including legal fees and expenses) for which summary invoices have then been delivered to Obligors (which delivery of such summary invoices shall not constitute or result in a waiver of any right or privilege).

**SECTION 4.** **Representations and Warranties.** Each of the Obligors, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Agent that:

(a) this Seventh Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Obligor which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the date hereof and the agreements and obligations of Obligors contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Obligors enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Seventh Amendment nor the consummation of any of the transactions contemplated hereby or thereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Obligor is a party or by which any Obligor or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Obligor;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Seventh Amendment;

(d) as of the date hereof and after giving effect to this Seventh Amendment, each of the representations and warranties of the Obligors set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents.

**SECTION 5.** **Acknowledgment and Reaffirmation** Each Obligor, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Agent's Liens on the assets and property of each of the Obligors pursuant to the Loan Documents; (y) that the reaffirmation of each of the Agent's Liens is a material inducement to the Lenders and the Agent; and (z) that it has no defense to the enforcement of each of the Agent's Liens, and the Agent's Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Obligor hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Agent's Liens or any of the Loan Documents;

(d) that each Obligor consents to the execution and delivery of this Seventh Amendment and agrees and acknowledges that the liability of each Obligor under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Agent's Liens, shall not be diminished in any way by the execution and delivery of this Seventh Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Agent have been given by the Lenders or the Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Obligor, each Lender and the Agent; and

(h) the execution and delivery of this Seventh Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents.

**SECTION 6. Ratification; Waiver of Defenses; Indemnity and Release.**

(a) Ratification. The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Obligors. Each of the Obligors, jointly and severally,(i) confirms and agrees that it is truly and justly indebted to the Lenders and the Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Release.

(i) Each of Obligors, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 6 shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof.

(ii) It is the intention of each Obligor that this Seventh Amendment and the release set forth above shall constitute a full and final accord and satisfaction of all claims that may have or hereafter be deemed to have against Releasees as set forth herein. In furtherance of this intention, each Obligor, on behalf of itself and each other Releasor,expressly waives any statutory or common law provision that would otherwise prevent the release set forth above from extending to claims that are not currently known or suspected to exist in any Releasor's favor at the time of executing this Seventh Amendment and which, if known by Releasors, might have materially affected the agreement as provided for hereunder. Each Obligor on behalf of itself and each other Releasor, acknowledges that it is familiar with Section 1542 of California Civil Code:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(iii) Each Obligor, on behalf of itself and each other Releasor, waives and releases any rights or benefits that it may have under Section 1542 to the full extent that it may lawfully waive such rights and benefits, and each Obligor, on behalf of itself and each other Releasor, acknowledges that it understands the significance and consequences of the waiver of the provisions of Section 1542 and that it has been advised by its attorney as to the significance and consequences of this waiver.

(iv) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(v) Each Obligor agrees that no fact, event, circumstance, evidence, or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute, and unconditional nature of the release set forth above.

(vi) The waivers, releases, and discharges in this Seventh Amendment shall be effective on the date hereof regardless of any other event that may occur or not occur after the date hereof.

(c) Indemnity. In furtherance of its Obligations under Section 14.2 of the Loan Agreement, each of the Obligors, jointly and severally, agrees to further defend, protect, indemnify and hold harmless each Lender and the Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Seventh Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Seventh Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) No Waiver. This Seventh Amendment shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 6) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents, whether or not known to a Lender or the Agent, or (ii) to prejudice any right or remedy which a Lender or the Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. The Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Waiver of Defense. The Obligors, jointly and severally, agree that each Lender and the Agent has no obligation to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Agent. Each of the Obligors, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Agent entering into this Seventh Amendment, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Agent to do or agree to do any of the foregoing, or failure of any Lender or the Agent to negotiate in good faith to accomplish any of the same.

(f) Waiver of Jury Trial Right and Other Matters. BORROWERS AND THE OTHER OBLIGORS EACH HEREBY WAIVES (i) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS SEVENTH AMENDMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY, WHICH WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER PARTY ON WHICH BORROWERS OR ANY OTHER OBLIGOR MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER PARTY MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL, THE OTHER COLLATERAL OR ANY BOND OR SECURITY THAT MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER PARTY TO EXERCISE ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT BORROWERS OR ANY OTHER OBLIGOR MAY HAVE UPON PAYMENT IN FULL OF THE OBLIGATIONS TO REQUIRE ANY LENDER PARTY TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OTHER COLLATERAL OR IN ANY OTHER PROPERTY OF BORROWERS OR ANY OTHER OBLIGOR UNTIL TERMINATION OF THE AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWERS, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWERS THAT ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDER PARTIES FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER PARTY FROM BORROWERS, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 6 OF THIS SEVENTH AMENDMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWERS AND THE OTHER OBLIGORS EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND THE OTHER LENDER PARTIES' ENTERING INTO THIS SEVENTH AMENDMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWERS AND THE OTHER OBLIGORS. BORROWERS AND THE OTHER OBLIGORS EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS SEVENTH AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(g) Alternative Dispute Resolution under California Law.

(i) The reference provisions of this Section 6(g) will be applicable only if the jury trial waiver set forth in Section 6(f) hereof is declared invalid or unenforceable and the Agent determines in its sole discretion to proceed as set forth in this Section 6(g).

(ii) Other than (I) nonjudicial foreclosure of security interests in real or personal property, (II) the appointment of a receiver, or (III) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), each controversy, dispute or claim (each, a "Disputed Claim") between any or all of the parties hereto arising out of or relating to the Loan Documents, which Disputed Claim is not settled in writing within 30 days after the "Claim Date" (the date on which a party subject to the Loan Documents gives written notice to the other parties that a Disputed Claim exists), will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Disputed Claim concerning the Loan Documents, including whether the Disputed Claim is subject to the reference proceeding. Except as set forth in this Section 6(g), the parties hereto waive the right to initiate legal proceedings against each other concerning such Disputed Claims. Venue for these reference proceedings will be in the courts of the State of California sitting in Los Angeles County or such other venue as the parties may agree (the "Court").

(iii) In the event that the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge of the Court, in accordance with the California Arbitration Act § 1280 through § 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

**SECTION 7. No Novation; Reservation of Rights.**

(a) No Novation. This Seventh Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Seventh Amendment nor any payments made or other actions taken pursuant to this Seventh Amendment shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that all Obligations are and shall remain payable in accordance with the terms and conditions of the Loan Agreement and this Seventh Amendment.

(b) Reservation of Rights. Each Lender and the Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Events of Default, arising under the Loan Documents that may be continuing on the date hereof or any Default or Event of Default arising under the Loan Documents that may occur after the date hereof, and neither any Lender nor the Agent has waived any of such rights or remedies and nothing in this Seventh Amendment, and no delay on any Lender's or the Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies.

(c) Notwithstanding anything to the contrary set forth herein, nothing in this Seventh Amendment shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Agent to take any actions that a Lender or the Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Obligor that are subject to the Agent's Liens or the interests (including the Agent's Liens) of the Lenders and the Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Obligor), relating to any such assets or properties or the interests of the Lenders and the Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Agent's Liens in such assets or properties.

(d) The Obligors acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if (i) any Obligor fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Obligor set forth in this Seventh Amendment or (ii) any representation or warranty of any Obligor set forth herein fails to be true and correct in all respects.

**SECTION 8. Further Assurances.** Each Obligor hereby agrees that each Obligor shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Agent may reasonably request to effectuate the purposes and terms of this Seventh Amendment and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Agent reasonably requests to perfect or continue the Agent's Liens on any assets or properties of any Obligor.

**SECTION 9.** **Counterparts.** This Seventh Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Seventh Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Seventh Amendment.

**SECTION 10.** **Successors and Assigns.** The provisions of this Seventh Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 11.** **Severability.** If any provision of this Seventh Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Seventh Amendment in any jurisdiction.

**SECTION 12.** **Governing Law.** **THIS SEVENTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS SEVENTH AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

**SECTION 13.** **Expenses.** The Obligors, joint and severally, agree to pay, or reimburse, the Agent for all expenses incurred in connection with the preparation and negotiation of this Seventh Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Agent.

**SECTION 14.** **Miscellaneous.** The parties hereto shall, at any time and from time to time following the execution of this Seventh Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Seventh Amendment.

**SECTION 15.** **Headings.** Section headings in this Seventh Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Seventh Amendment.

**SECTION 16.** **Entire Agreement.** This Seventh Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Agent in respect of the subject matter hereof, and all prior drafts of this Seventh Amendment, are totally superseded and merged into this Seventh Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Obligors hereby acknowledges and agrees that the execution and delivery of this Seventh Amendment has not established any course of dealing between the parties hereto.

*[The remainder of this page left blank intentionally]*

**IN WITNESS WHEREOF,** this Seventh Amendment has been executed and delivered as of the date set forth above.

**OBLIGORS:**

**HYDROFARM HOLDINGS LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 210 Shields Court
Markham, ON L3R 8V2 Canada
Attn: Michael Serruya

**HYDROFARM, LLC,**
a California limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EHH HOLDINGS, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**HYDROFARM CANADA, LLC,**
a Delaware limited liability company

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**SUNBLASTER HOLDINGS ULC,**
a British Columbia unlimited liability company

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**
a British Columbia company

By: /s/ Peter Wardenburg
Name:
Title:

Address: 2249 S. McDowell Boulevard
Petaluma, CA 94954
Attn: Peter Wardenburg

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.,**
as Agent and Lender

By: /s/ Matthew Van Steenhuyse
Name: Matthew Van Steenhuyse
Title: Senior Vice President

Address:
Bank of America, N.A.
333 S. Hope St, Suite 1900
Los Angeles, CA 90071
Attn: Matthew Van Steenhuyse
Facsimile: (877) 207-2581

**BANK OF AMERICA, N.A. (acting through its Canada branch),**
as Canadian Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

Address:
181 Bay Street, Suite 400
Toronto, ON, M5J 2V8
Attn: Sylwia Durkiewicz
Facsimile: (312) 453-4041

**Exhibit 10.10**

**PAYOFF LETTER**

July 11, 2019

Hydrofarm Holdings, LLC
Attention: Jeff Peterson
Chief Financial Officer
2249 S. McDowell Ext.
Petaluma, CA 94954

Re: Termination of Senior Credit Facility

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Loan and Security Agreement dated as of November 8, 2017 (as amended, modified, extended, restated, replaced, or supplemented prior to the date hereof, the "Loan Agreement"), by and among Hydrofarm Holdings, LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC, a Delaware limited liability company ("EHH"), Sunblaster LLC, a Delaware limited liability company ("SunBlaster"), and WJCO LLC, a Colorado limited liability company ("WJCO"; together with Hydrofarm, EHH, SunBlaster and any other party joined hereto as a U.S. Borrower, each, a "U.S. Borrower" and collectively, the "U.S. Borrowers"), GS Distribution, Inc., a British Columbia company ("GSD"), EWGS Distribution, Inc., a British Columbia company ("EWGS"), Eddi's Wholesale Garden Supplies Ltd., a British Columbia company ("Eddi") and Sunblaster Holdings ULC, a British Columbia unlimited liability company ("Sunblaster Canada": together with GSD and Eddi and any other party joined hereto as a Canadian Borrower, each, a "Canadian Borrower" and collectively, the "Canadian Borrowers"; and together with U.S. Borrowers, each a "Borrower" and collectively, the "Borrowers"), the other parties from time to time signatory hereto as Obligors, the financial institutions from time to time party thereto as lenders (each, a "Lender" and collectively, the "Lenders") and Bank of America, N.A., as administrative agent for the Lenders (in such capacity, the "Agent"). Capitalized terms used herein without definition have the meanings given to them in the Existing Credit Agreement.

Agent understands that on July 9, 2019 (the "Payoff Date"), the Borrowers intend to cause all indebtedness, liabilities and other obligations (other than contingent reimbursement obligations with respect to the Existing Letters of Credit (as defined below)) of the Borrowers to the Lenders and/or Agent owing under the Loan Documents, including, without limitation, all principal, accrued interest, costs, expenses and fees outstanding, including, without limitation, reasonable attorneys' fees, costs and expenses, to be repaid in full, and terminate the Revolver Commitments, the Loan Agreement and the other Loan Documents.

Notwithstanding the termination of the Credit Facility, the Existing Credit Agreement and the other Loan Documents contemplated herein, each of the outstanding Letters of Credit (the "Existing Letters of Credit") issued by the Issuing Bank under the Existing Credit Agreement, as more specifically set forth on Schedule 1 hereto, will remain outstanding after the Payoff Date in accordance with their respective terms (without giving effect to any extensions or renewals thereof) so long as such Existing Letters of Credit are fully cash collateralized in an amount of at least 105% of the face amount of the Existing Letters of Credit to secure the reimbursement obligations of the Obligors (and its successors and assigns) with respect to the Existing Letters of Credit (such amount necessary to so fully cash collateralize the Existing Letters of Credit, the "Cash Collateral Amount") pursuant to a cash collateral account agreement between the Obligors and the Issuing Bank in all respects satisfactory to the Issuing Bank (the "Cash Collateral Agreement"). The Payoff Amount (as defined below) does not include (a) contingent reimbursement obligations of the Obligors with respect to any drawings or presentations made under the Existing Letters of Credit and (b) letter of credit fees due after the Payoff Date in connection with the Existing Letters of Credit. The parties hereto acknowledge and agree that the Issuing Bank will return the Cash Collateral Amount (deposited pursuant to the Cash Collateral Agreement) to an Obligor (or its successors and assigns) upon the earlier of (i) the return of the Existing Letters of Credit to the Issuing Bank for cancellation from the beneficiary thereof and (ii) the expiration of the Existing Letters of Credit and the rights of the beneficiary thereof to draw on such Existing Letters of Credit.

The Cash Collateral Amount, the amount of the Deposit (as defined below), the total principal balance of the loans and advances made by the Lenders to or for the benefit of the Borrowers under the Loan Agreement, together with all accrued but unpaid interest thereon, and the total amount of all fees, costs, expenses and other amounts owed by the Borrowers with respect to the Loan Agreement (other than contingent reimbursement obligations with respect to the Existing Letters of Credit) and all other Loan Documents, if paid on the Payoff Date by 11:00 a.m. (Pacific Time) (the "Payoff Time"), will be as follows (the "Payoff Amount"):

| | | |
|---|---|---|
| Principal: | $ | 25,762,699.29 |
| Interest: | $ | 50,398.74 |
| Fees: | $ | 2,492.34 |
| Deposit (TRSG exposure): | $ | 160,000.00 |
| Breakage Costs: | $ | 0.00 |
| Existing Letters of Credit (cash collateralized at 105%) | $ | 840,000.00 |
| | | |
| Payoff Amount: | $ | 26,815,590.37 |
| | | |
| Legal Fees | $ | 50,996.00 |

If payment of the Payoff Amount is not made by the Payoff Time on the Payoff Date, the Payoff Amount will be recalculated to include an additional $5,726.51 per day for each day thereafter in accordance with the provisions of the Loan Agreement (the "Per Diem Amount"); provided that Agent receives the Payoff Amount together with all applicable Per Diem Amounts no later than 11:00 a.m. (Pacific Time) on July 11, 2019 (the "Expiration Time") after which time this letter agreement shall have no further force or effect. The Borrowers hereby agree not to request additional Revolver Loans or Letters of Credit under the Loan Agreement on or after the date hereof through the Expiration Time.

Agent hereby instructs the Obligors to pay or cause to be paid the Payoff Amount (other than the Legal Fees) by wire transfer, in immediately available funds, to the following account in accordance with the following wire transfer instructions:

| | | |
|---|---|---|
| Bank: | Bank of America, N.A. | |
| | ABA#: | 026009593 |
| | Account #: | 936-933-7800 |
| | Account Name: | Bank of America - Southwest Collection |
| | Final Credit to: | Hydrofarm |

Agent hereby instructs the Obligors to pay or cause to be paid the portion of the Payoff Amount consisting of the Legal Fees by wire transfer, in immediately available funds, to McGuireWoods, LLP ("Outside Counsel") in accordance with the following wire transfer instructions:

BANK OF AMERICA
ABA: 026009593 (Domestic Wires)
Credit: McGuireWoods Operating Account
Account Number: 000003664964
Reference: (Hamid Namazie/2068279-5070)
McGuireWoods Accounting Contact: Jacob Howard (804) 775-1411

The Obligors represent and warrant (the "Secured Obligation Representation") that the only outstanding Obligations owing from any Obligors or any of its Subsidiaries under any Bank Products are set forth on Schedule 2 hereto (collectively, the "Outstanding Obligations"). The Obligors agree that all outstanding Bank Products set forth on Schedule 2 shall be terminated by no later than 60 days after the Payoff Date.

Subject to (a) the receipt by Agent of the Payoff Amount, any applicable Per Diem Amount and receipt by Outside Counsel of the Legal Fees, (b) the accuracy of the Secured Obligation Representation, (a) the receipt by the Issuing Bank of the fully executed Cash Collateral Agreement and the Cash Collateral Amount, and (d) the receipt by Agent of a fully executed copy of this Payoff Letter, duly executed by Borrowers and Agent (collectively, the "Payoff Items"), Agent (on behalf of the Lenders) agrees that all obligations of the Obligors under the Loan Documents other than (i) obligations under the Loan Documents (including contingent reimbursement obligations and indemnity obligations which, by their express terms, survive termination of the Loan Agreement, and (ii) to the extent not paid on the Payoff Date, fees and expenses of counsel to Agent in connection with the termination of the Loan Documents and release of all liens thereunder), including principal, accrued interest, costs, expenses and fees, shall be paid in full, all Loan Documents shall be terminated, all commitments of the Existing Lenders shall be terminated, all participation obligations of the Existing Lenders with respect to the Existing Letters of Credit shall be released, all guarantees provided under the Loan Documents shall be terminated and any security interest or lien granted to the Existing Lenders and/or the Existing Agent in the personal property or real property of the Obligors securing amounts evidenced by the Loan Documents (excluding any lien granted to the Issuing Bank in connection with the Cash Collateral Agreement) shall automatically terminate.

At Obligors' expense (it being understood and agreed that such expense may be in addition to the amounts included in the Payoff Amount), Agent will promptly upon receipt of each of the Payoff Items, (a) execute and deliver to Borrowers (or any designee of Borrowers) any such lien releases, mortgage releases, discharges of security interests, pledges and guarantees and other similar discharge or release documents, as are reasonably requested and necessary to release, as of record, the security interests and all notices of security interests and liens previously filed by Agent under the Loan Documents and (b) deliver to Borrowers (or any designee of the Obligors) all instruments evidencing pledged debt and all equity certificates and any other similar collateral previously delivered in physical form by Borrowers to Agent under the Loan Documents. Upon Agent's receipt of each of the Payoff Items and confirmation by Agent of such receipt, any of the Borrowers or their legal counsel or other designee are authorized to file all termination statements and releases with respect to each financing statement, intellectual property security agreement, pledge agreement, account control agreement, mortgage, assignment and other instrument or document filed to perfect any of the security interests and other liens granted under the Loan Agreement, and Agent agrees to execute and deliver such documents and to take such steps as are reasonably requested by the Borrowers or their legal counsel or other designee, from time to time, to terminate and release all such security interests, assignments, blocked account agreements, control agreements and similar agreements and documents, and other liens of record.

Agent shall retain the Deposit for a period of no longer than ninety (90) days following the Payoff Date and pay all costs, fees, expenses and other amounts owed to Agent from the Deposit. Upon termination of such ninety (90) day period, any unused portion of the Deposit shall be returned to Borrowers.

Notwithstanding the terms of this letter agreement to the contrary, (a) upon any Lender's demand, the Obligors shall promptly compensate such Lender for any breakage costs incurred in connection with the payment of the Payoff Amount and any applicable Per Diem Amount in accordance with the Loan Agreement, and (b) if Agent determines after the Payoff Time that an amount that was due and payable under the Loan Documents or under any Bank Product was mistakenly excluded from the Payoff Amount, each Obligor agrees to promptly pay such excluded amount after Agent provides evidence to the Obligors that such excluded amount is due and payable. Notwithstanding anything herein to the contrary, if at any time all or any part of the Payoff Amount is or must be rescinded or returned by Agent for any reason whatsoever (including the insolvency, bankruptcy, reorganization or similar proceeding involving any of the Borrowers, the Obligations, to the extent that such payment is or must be rescinded or returned, shall be deemed to have continued in existence, notwithstanding such application by Agent, and the Loan Agreement and the other Loan Documents shall continue to be effective or be reinstated, as the case may be, as to such Obligations, all as though such application by Agent had not been made. The provisions of this paragraph shall remain in full force and effect regardless of any termination of the obligations owing under the Loan Documents.

As of the Payoff Date, (a) the Borrowers hereby irrevocably terminate any commitment under the Loan Documents to lend or make advances by Agent or any Lender including the issuance of any new Letter of Credit or the renewal or extension of any Existing Letter of Credit by the Issuing Bank); provided, however, that each Existing Letter of Credit and the corresponding issuer documents shall remain in full force and effect in accordance with their respective terms, and (b) release and forever discharge Agent, each Lender and each of their representatives, assigns, officers, directors, agents, employees and attorneys from any and all claims, demands, debts, liabilities, actions, and causes of action of every kind and character based upon or arising out of the Loan Agreement or any Loan Document.

It is acknowledged and agreed that this document constitutes a "Loan Document" for purposes of Sections **14.14, 14.15** and **14.16** of the Loan Agreement.

This letter agreement (a) shall be governed by and shall be construed and enforced in accordance with, the laws of the State of New York and (b) sets forth the entire agreement among the parties relating to the subject matter pertaining hereto, and no term or provision hereof may be amended, changed, waived, discharged or terminated, except in writing signed by each party.

This letter agreement may be executed in any number of counterparts, and telecopied signatures (or signatures delivered via electronic mail or “pdf”) shall be enforceable as originals. Your signature below shall evidence your agreement with the foregoing.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Very truly yours,

BANK OF AMERICA, N.A., as Agent under the Loan Agreement

By: /s/ MATTHEW R. VAN STEENHUYSE

Name: MATTHEW R. VAN STEENHUYSE

Title: SENIOR VICE PRESIDENT

Accepted and Agreed to:

**HYDROFARM HOLDINGS, LLC**,

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**HYDROFARM, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

**EHH HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**SUNBLASTER LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**HYDROFARM CANADA, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**SUNBLASTER HOLDINGS ULC**

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

**Schedule 1**

**Letters of Credit**

**Schedule 2**

**Bank Products**

**Exhibit 10.11**

EXECUTION VERSION

**CREDIT AGREEMENT**

**DATED MAY 12, 2017 and**

**BY AND AMONG**

**HYDROFARM HOLDINGS LLC**
**(to be succeeded as a Borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster LLC),**
**as Initial Borrower,**

**THE OTHER LOAN PARTIES WHICH ARE PARTY HERETO,**

**THE LENDERS WHICH ARE PARTY HERETO**

**AND**

**BRIGHTWOOD LOAN SERVICES LLC**
**as Administrative Agent**

**TABLE OF CONTENTS**

**CREDIT AGREEMENT**

This CREDIT AGREEMENT effective as of the 12th day of May, 2017, by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Initial Borrower" or "Holdings"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower hereunder by **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **WJCO LLC**, a Colorado limited liability company ("WJCO"), **EHH HOLDINGS, LLC** ("EHH"), a Delaware limited liability company and **SUNBLASTER, LLC**, a Delaware limited liability company ("SunBlaster")), the other Loan Parties party hereto, the Lenders now or hereafter parties hereto, and **BRIGHTWOOD LOAN SERVICES LLC**, in its capacity as Administrative Agent for the Lenders.

**WHEREAS**, the Borrowers have requested and the Lenders have agreed to provide, subject to the terms and conditions hereof, certain extensions of credit.

**NOW, THEREFORE**, in consideration of the terms and conditions contained herein, and of any loans or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by the Lenders and the Administrative Agent, the parties hereto agree as follows:

**ARTICLE I**
**DEFINITIONS AND OTHER TERMS**

**1.1 Defined Terms.** The following terms when used in this Agreement shall, except where

the context otherwise requires, have the following meanings:

"Acquired Company" means, collectively, Hydrofarm and its Subsidiaries.

"Acquisition" means (whether by purchase, exchange, issuance of Equity Interests or Equity Interests Equivalents, merger, reorganization, joint venture or otherwise) a transaction or series of transactions resulting, directly or indirectly, in (a) the acquisition by a Borrower or its Subsidiaries of all or a substantial portion of a business, division or substantially all assets of a Person, (b) the record or beneficial ownership by a Borrower or its Subsidiaries of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary of a Borrower or its Subsidiaries, (c) the merger, consolidation or combination of a Borrower or a Subsidiary with another Person (other than a Person that is already a Subsidiary), or (d) any other business combination by a Borrower or its Subsidiaries with any Person to effect any of the transactions referred to in clauses (a), (b) or (c) above.

"Acquisition Documents" means the Hydrofarm Acquisition Agreement, and all other agreements, instruments, deeds, assignments, bills of sale, affidavits, certificates and closing statements executed and delivered by and/or to Holdings or a Borrower, as applicable, to effect the Hydrofarm Acquisition.

"Adjusted Consolidated EBITDA" means, for any Test Period, the sum of Consolidated EBITDA for such Test Period calculated on a Pro Forma Basis.

"Administrative Agent" means Brightwood Loan Services LLC, as Administrative Agent for the Lenders, or any successor Administrative Agent hereunder.

"Administrative Questionnaire" means an administrative questionnaire to be completed and provided to the Administrative Agent in form and substance as provided by the Administrative Agent.

"Affiliate" means, respect to a specified Person, (a) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, and (b) solely with respect to Sections 6.7, 8.8, 9.5, 9.9, 9.14 and 9.18, any officer or director of such Person. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings. For purposes of this definition, a Person shall be deemed to Control another Person if the Controlling Person owns or controls directly or indirectly ten percent (10%) or more of the shares of stock, other Equity Interests or Equity Interests Equivalents or voting powers of the Controlled Person. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party or any of their respective Subsidiaries.

"Agreement" means this Credit Agreement as originally executed and as amended, modified or supplemented from time to time.

"Applicable Margin" means (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans.

"Approved Fund" means any Fund that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

"Asset Disposition" means any sale, lease, license, consignment, transfer or other disposition of Property by any Person, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 9.9(b).

"Assumption Agreement" means that certain Borrower/Guarantor Assumption Agreement, dated as of the Closing Date, among Initial Borrower, Hydrofarm, WJCO, EHH, SunBlaster and the Administrative Agent.

"Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) the sum of (x) the LIBOR Rate calculated for each such day based on an Interest Period of one month determined two (2) Business Days prior to such day, plus (y) 1%. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate, as the case may be.

"Base Rate Loan" means any Term Loan accruing interest by reference to the Base Rate.

"Borrower" means (a) at any time prior to the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Initial Borrower, and (b) upon and at any time after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, each of Hydrofarm, WJCO, EHH and SunBlaster.

"Borrower Agent" shall have the meaning set forth in Section 2.11. "Brightwood" means Brightwood Loan Services LLC and any Affiliate thereof.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York, New York and, if such day relates to an event, a transaction or a notice in respect of a LIBOR Rate Loan, a day which is also a day on which dealings in U.S. Dollar deposits are carried out in the London interbank market.

"Call Premium" means (i) 2.0% during the period from the Closing Date through and including the first anniversary of the Closing Date, (ii) 1.0% during the period from and including the date after the first anniversary of the Closing Date through and including the date that is 18 months following the Closing Date and (iii) thereafter, 0%, in each case of the principal amount of the Term Loans prepaid in accordance with Sections 2.1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7) during such period.

"Capital Expenditures" means (a) all expenditures made and capitalized by Holdings, the Loan Parties, and their Subsidiaries for property, plant, equipment, other fixed assets (including any such expenditures by way of Acquisition of a Person or by way of incurrence or assumption of Indebtedness or other obligations, to the extent reflected as plant, property, equipment or other fixed assets), research and development or other long-term assets, but in each case excluding any portion of the purchase price paid with respect to any Permitted Acquisition plus, (b) deposits made in anticipation of the purchase of such property, plant, equipment, other fixed assets, research and development or other long-term assets less such deposits previously included, less (c)(i) Net Cash Proceeds of Asset Dispositions received from Asset Dispositions permitted pursuant to Section 6.4 which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (ii) Net Cash Proceeds of property insurance policies received which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (iii) capitalized trade-ins of equipment that is worn, damaged or obsolete with equipment of like function and value, and (iv) Capital Expenditures financed with the Net Cash Proceeds of common Equity Interests (that are Qualified Equity Interests) issued by Holdings.

"Capital Lease" means, with respect to any Person, a lease of (or other agreement conveying the right to use) real and/or personal property, which obligation is, or in accordance with GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) is required to be, classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligations" means, for any period for which the amount thereof is to be determined, any obligation of such Person to pay rent or other amounts under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Casualty Event" means any event that gives rise to the receipt by any Loan Party of any insurance proceeds (including business interruption insurance proceeds) or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon).

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

"Change in Law" means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, order, policy, rule, regulation or treaty, (b) any change in any law, order, policy, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means the occurrence of any of the following: (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all Equity Interests in a Borrower or any other Loan Party, (b) Sponsor and Co-Investor, collectively, cease to directly or indirectly (x) own and control, beneficially and of record, at least 50.1% of the Equity Interests of Holdings, or (y) possess the right to elect (through contract, ownership of voting securities or otherwise) at all times a majority of the board of directors (or similar governing body) of Holdings or to direct the management policies and decisions of Holdings, (c) Sponsor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Holdings representing at least 50% of the voting power and 50% of the economic interest represented by the Equity Interests of Holdings held by Sponsor on the Closing Date, or (d) any "change of control" (or similar term) under the Revolving Loan Facility, the Revolving Loan Documents or any Subordinated Indebtedness, while outstanding, shall have occurred.

"Closing Date" means May 12, 2017.

"Closing Equity Contribution" shall mean the contribution of cash by the Sponsor and Co-Investor to Holdings, together with the rollover of equity by certain holders of Equity Interests in the Acquired Company into Equity Interests of Holdings, on or prior to the Closing Date in exchange for the issuance to the Sponsor, the Co-Investor and such rollover investors of Qualified Equity Interests of Holdings in an aggregate amount equal to at least 40.0% of the sum of (i) total funded Indebtedness used to fund the Hydrofarm Acquisition and the Refinancing (including, without limitation the Term Loans and the initial borrowings of Revolving Loans under the Revolving Loan Documents on the Closing Date and (ii) the aggregate amount of equity contributions to Holdings hereinabove described.

"Co-Investor" means collectively, (i) Aaron Serruya, Michael Serruya, Simon Serruya, and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (ii) Serruya Private Equity and its Controlled Investment Affiliates, and (iii) BCM X3 Holdings, LLC and its Controlled Investment Affiliates.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all present and future assets and properties of the Borrowers and the Guarantors, whether real or personal, tangible or intangible, in which Liens are granted or purported to be granted pursuant to the Security Documents; provided, that Collateral shall not include any Excluded Assets.

"Colorado Property" means that certain Real Property located at 4200 East 50th Avenue in Denver, Colorado.

"Colorado Property Sale-Leaseback" means any sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property.

"Commitment" means, for each Lender, the aggregate amount of such Lender's commitment to fund Term Loans as set forth opposite of such Lender's name under the heading "Commitment" on **Schedule I** or as set forth in an Assignment and Assumption Agreement delivered pursuant to Section 9.9(b), as such amount may be modified from time to time pursuant to the terms hereof.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate in substantially the form set forth as **Exhibit E**, completed and signed by a Responsible Officer of the Borrower Agent.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Amortization Expense" means the amount of amortization expense deducted in determining Consolidated Net Income.

"Consolidated Depreciation Expense" means the amount of depreciation expense deducted in determining Consolidated Net Income.

"Consolidated EBITDA" means, for any period for which the amount thereof is to be determined, an amount equal to Consolidated Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Expense during such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash during such period in connection with the Hydrofarm Acquisition, this Agreement, the Loan Documents and the Revolving Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) the aggregate amount of all Permitted Management Fees paid or accrued with respect to such period,

(viii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory),

(ix) transaction fees, costs, and expenses incurred in such period in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed $500,000 in any twelve-month period,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Responsible Officer of the Borrower Agent, and (y) reasonably expected by the Borrower to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),

(xii) other non-recurring fees and expenses approved by Administrative Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "EBITDA" under the Revolving Loan Agreement pursuant to clause (a)(xii) of the definition of "EBITDA" set forth in the Revolving Loan Agreement,

and minus (b) to the extent added in calculating such Consolidated Net Income, the aggregate amount of:

(i) any non-cash gains during such period arising from the sale of capital assets,

(ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and

(iii) any non-cash extraordinary gains during such period.

Notwithstanding the foregoing, the Consolidated EBITDA for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Consolidated EBITDA" on **Schedule 1.1**.

"Consolidated Fixed Charges" means, for any period for which the amount thereof is to be determined, the sum, without duplication of (a) Consolidated Interest Expense (other than payment-in-kind interest expense), and (b) the principal amount of all scheduled principal payments made on Indebtedness (other than Revolving Loans) of Holdings, the Borrowers and their Subsidiaries, in each case, for such period.

Notwithstanding the foregoing, the Consolidated Fixed Charges for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Consolidated Fixed Charges" on **Schedule 1.1**.

"Consolidated Interest Expense" means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any fiscal period, the consolidated net income (or loss) of Holdings, the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, a Borrower or any of their Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of their Subsidiaries from such Person during such period,

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of their Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of their Subsidiaries,

(c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and

(d) the cumulative effect of a change in accounting principles.

"Consolidated Tax Expenses" means federal, state and local income tax expenses of Holdings, the Borrowers and their Subsidiaries.

"Contingent Obligation" means any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Indebtedness, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co-making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of nonperformance by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

"Controlled Investment Affiliate" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Conversion" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Credit Loan" means, individually or collectively, a Base Rate Loan or a LIBOR Rate Loan.

"Debt Issuance" means the issuance by any Loan Party or any of their Subsidiaries of any Indebtedness.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States of America or other applicable jurisdictions from time to time in effect.

"Default" means any Event of Default and any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Interest" shall have the meaning set forth in Section 2.1(e)(2).

"Default Rate" means a simple interest rate per annum equal to the sum of the otherwise then applicable interest rate plus two percent (2%). With respect to amounts bearing interest at the Default Rate, for purposes of the foregoing sentence, the words "otherwise then applicable interest rate" shall be deemed to mean the Base Rate plus the Applicable Margin with respect to Base Rate Loans or the LIBOR Rate plus the Applicable Margin with respect to LIBOR Rate Loans, as applicable.

"Defaulting Lender" means, subject to Section 2.9(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Term Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower Agent in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, (b) has notified the Borrower Agent or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower Agent, to confirm in writing to the Administrative Agent and the Borrower Agent that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower Agent), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.9(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower Agent and each Lender promptly following such determination.

"Disqualified Equity Interests" means any Equity Interest that, by its terms (or by the terms of any Equity Interests or Equity Interests Equivalent into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition,

(a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Term Loans and all other Obligations that are accrued and payable),

(b) provides for the scheduled payments of dividends in cash,

(c) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests of the applicable Person and except as permitted by clause (a) above), in whole or in part, or

(d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests or Equity Interests Equivalents that would constitute Disqualified Equity Interests, in the case of each of clauses (a), (b), (c) and (d) hereof, prior to the date that is 180 days after the Maturity Date at the time of issuance;

provided that if such Equity Interests or Equity Interests Equivalents are issued pursuant to a plan for the benefit of future, current or former employees, directors, or officers of Holdings, a Borrower or its Subsidiaries or by any such plan to such employees, directors or officers, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by Holdings, a Borrower or any Subsidiary in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's, director's or officer's termination, death or disability.

"Dollars" or "$" means the basic unit of the lawful currency of the United States of America.

"ECF Liquidity" means, as of any date of determination, (i) the aggregate amount of cash and cash equivalents on hand of Holdings, the Borrowers and their Subsidiaries as of such date plus (ii) the "Availability" (as defined in the Revolving Loan Documents) as of such date.

"ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"ECP Rules" means the final rules issued jointly by the Commodity Futures Trading Commission and the Securities and Exchange Commission as published in 77 FR 30596 (May 23, 2012), as may amended, modified or replaced from time to time.

"Eligible Assignee" means any Person (other than a natural person) that meets the requirements to be an assignee under Section 9.9 (subject to such consents, if any, as may be required under Section 9.9(b)); provided, that, no Defaulting Lender shall be an Eligible Assignee

"Environmental Laws" means any applicable Laws (including programs, permits and guidance promulgated by regulators) relating to public health (other than occupational safety and health regulated by the Occupational Safety and Hazard Act of 1970) or the protection or pollution of the environment, including CERCLA, the Resource Conservation and Recovery Act and the Clean Water Act.

"Environmental Notice" means a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"Environmental Release" means a release as defined in CERCLA or under any other Environmental Law.

"Equity Cure Contribution" has the meaning set forth in Section 6.1(c).

"Equity Interests" means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial, partnership or membership interests, joint venture interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Equity Interests Equivalents" means all securities convertible into or exchangeable for Equity Interests and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any Equity Interests, whether or not presently convertible, exchangeable or exercisable.

"Equity Issuance" means any sale or issuance of any Equity Interests or Equity Interests Equivalents of a Borrower or any direct or indirect parent of a Borrower or the contribution to the capital of a Borrower or any direct or indirect parent of a Borrower, in each case, the proceeds of which are contributed to the common equity of a Borrower or any of its Subsidiaries.

"Equity Prepay Expiration Date" means the 30th day following the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations promulgated and rulings issued thereunder and under the Code, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" means any Person, including Affiliates or Subsidiaries of the Loan Parties, that is a member of any group of organizations or a controlled group of trades or businesses, as described in Sections 414(b), 414(c), 414(m) or 414(o) of the Code or Section 4001 of ERISA, of which any of the Loan Parties or any of their respective Subsidiaries is a member.

"ERISA Event" means any of (a) a Reportable Event with respect to a Pension Plan, (b) a withdrawal of a Loan Party or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, (c) a complete or partial withdrawal by any Loan Party or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization, (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the institution of proceedings by the PBGC to terminate a Pension Plan, (e) the determination that any Pension Plan is considered an at-risk plan or a plan in critical or endangered status under the Code or ERISA, (f) an event or condition that constitutes grounds under Section 4042 of ERISA for termination of, or appointment of a trustee to administer, any Pension Plan, (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Loan Party or ERISA Affiliate, or (h) the failure by any Loan Party or ERISA Affiliate to meet all applicable requirements under the Pension Funding Rules in respect of a Pension Plan, whether or not waived, or to make a required contribution to a Multiemployer Plan.

"Event of Default" means any Event of Default described in Article VII.

"Excess Cash Flow" means, for any Excess Cash Flow Period, without duplication:

(a) the sum, without duplication, of:

(i) Consolidated EBITDA for such Excess Cash Flow Period;

(ii) the decrease, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period; and

(iii) to the extent not otherwise provided in this clause (a), any other cash receipts received by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period;

(b) minus, the sum, without duplication, of:

(i) the amount of any Consolidated Tax Expense paid or payable by the Borrowers and their Subsidiaries in cash with respect to such Excess Cash Flow Period and the amount of any Tax Distributions made in cash with respect to such Excess Cash Flow Period;

(ii) Consolidated Interest Expense for such Excess Cash Flow Period;

(iii) the increase, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period;

(iv) cash used for Capital Expenditures and Permitted Acquisitions (including with respect to fees and expenses and, with respect to any Permitted Acquisition, cash consideration that is payable upon the closing of such Permitted Acquisition pursuant to any letter of intent or definitive purchase agreement with respect to such Permitted Acquisition to which a Borrower or any of its Subsidiaries is a party), in each case to the extent financed with Internally Generated Funds;

(v) the aggregate amount of all scheduled amortization payments of Indebtedness of the Borrowers and their Subsidiaries to the extent funded with Internally Generated Funds;

(vi) Permitted Management Fees and Restricted Payments pursuant to Sections 6.10(b)(i) and 6.10(b)(iii), in each case, paid in cash in accordance with the Loan Documents during such Excess Cash Flow Period;

(vii) to the extent paid in cash, the add-backs in clauses (a)(v), (a)(ix), (a)(x), (a)(xi) and (a)(xii) of the definition of Consolidated EBITDA; and

(viii) to the extent not already deducted in calculating Consolidated EBITDA and not otherwise provided in this clause (b), any other cash expenses paid by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period.

"Excess Cash Flow Period" means (i) the period from and including the Closing Date through and including December 31, 2017 and (ii) each subsequent fiscal year of the Borrowers commencing with the fiscal year ending on December 31, 2018. For the avoidance of doubt, with respect to any mandatory prepayment under Section 2.1(g)(3), the applicable Excess Cash Flow Period shall be the mostly recently ended Excess Cash Flow Period ending prior to the date of such mandatory prepayment.

"Excluded Accounts" means, with respect to any Loan Party, any deposit account used solely for (i) payroll and accrued payroll expenses, (ii) tax payments, (iii) employee benefit accounts and/or (iv) petty cash and other accounts in the aggregate not exceeding $100,000 for all such accounts.

"Excluded Assets" means (i) any Excluded Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by a Loan Party of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest, (iii) any Equity Interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of a Loan Party, (y) that the granting of a Lien therein is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Loan Parties in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar Equity Interests of such Foreign Subsidiary which are entitled to vote, (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code or any other applicable law or principles of equity, (v) upon the written consent of the Administrative Agent, any Equity Interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of a Loan Party, if the terms of the Organic Documents of such pledged entity do not permit the grant of a security interest in such Equity Interests by the owner thereof or the applicable Loan Party has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Organic Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by the Administrative Agent in its sole discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents), (vii) any Excluded Real Property; provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the Uniform Commercial Code (including Sections 9-406, 9-407 and 9-408 thereof) or other applicable law (including any Debtor Relief Law) or principles of equity, (b) so as to limit, impair or otherwise affect the Administrative Agent's unconditional continuing Liens upon any rights or interests of any Loan Party in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any accounts receivable), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

"Excluded Real Property" means any Real Property acquired by a Loan Party after the Closing Date with an individual value less than $1,000,000.

"Excluded Swap Obligation" means, with respect to a Borrower, any Affiliate of a Borrower or a Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Borrower, such Affiliate or such Guarantor of, or the grant by such Borrower, such Affiliate or such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Borrower's, such Affiliate's or such Guarantor's failure for any reason not to constitute an "Eligible Contract Participant" as defined in Section 1a(18) of the Commodity Exchange Act (and the regulations thereunder), as further defined and modified by the ECP Rules (determined after giving effect to Section 9.20 and any other keepwell, support or other agreement for the benefit of such Borrower, such Affiliate or such Guarantor and any and all Guarantees of such Borrower's, such Affiliate's or such Guarantor's Swap Obligations by any other Borrower, Affiliate or the Guarantor), at the time the applicable Swap Obligation was entered into and at such other relevant time as provided in the ECP Rules or any other applicable law and to the extent that the providing of such Guarantee or the granting of such security interest by such Borrower, such Affiliate or such Guarantor would violate the ECP Rules or any other applicable law. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guarantee or Lien is or becomes excluded in accordance with the first sentence of this definition.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Term Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Term Loan or Commitment (other than pursuant to an assignment request by the Borrower Agent under Section 9.19), or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 10.1(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 10.1(e) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Extraordinary Receipts" means any cash received by or paid to or for the account of any Loan Party or any of their Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in any of clause (4), (5) or (6) of Section 2.1(g)), including without limitation tax refunds, insurance proceeds, indemnification payments (other than such indemnification payments to the extent that the amounts so received are applied by a Loan Party or its Subsidiary, as applicable, or are reimbursement or payment on behalf of a Loan Party or its Subsidiary, as applicable, for costs incurred for the purpose of replacing, repairing or restoring any assets or properties of a Loan Party or its Subsidiary or reimbursement for settlement costs, thereby satisfying the condition giving rise to the claim for indemnification, or reimbursement or indemnification for costs, or otherwise covering losses arising as a result of the circumstances giving rise to the underlying claims, or any out-of-pocket expenses incurred by any Loan Party or any of their Subsidiaries in obtaining such payments or the payment of taxes arising thereunder) and purchase price adjustments (other than working capital and other similar adjustments) made pursuant to the Hydrofarm Acquisition or any other Permitted Acquisition; provided, that Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than $350,000.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any intergovernmental agreement and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code.

"Federal Funds Effective Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing reasonably selected by it.

"Fee Letter" means that certain fee letter, dated as of April 10, 2017, among (x) the Initial Borrower, (y) immediately after giving effect to the Hydrofarm Acquisition and execution and delivery of the Assumption Agreement, Hydrofarm, WJCO, EHH and SunBlaster and (z) the Administrative Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for payment of the fees described therein.

"Financial Covenants" the covenants, agreements and obligations set forth in Sections 6.1(a) and 6.1(b).

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio, determined for the most recent four consecutive fiscal quarters ending on or prior to such date of determination (subject to the immediately following sentence) of: (a) Consolidated EBITDA for such period minus (i) all Capital Expenditures for such period (other than Capital Expenditures funded or financed with any Indebtedness other than Revolving Loans), minus (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Tax Distributions during such period, minus (iii) all Restricted Payments made in cash during such period, minus (iv) all Permitted Management Fees paid in cash pursuant to the Management Agreements during such period; to (b) Consolidated Fixed Charges for such period.

Notwithstanding the foregoing, the aggregate sum of clauses (a)(i), (a)(ii), (a)(iii) and (a)(iv) above for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Fixed Charge Coverage Ratio Amounts" on **Schedule 1.1**.

"Flood Insurance Laws" collectively, (i) National Flood Insurance Reform Act of 1994 (which comprehensively revised the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973) as now or hereafter in effect or any successor statute thereto, (ii) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto and (iii) the Biggert-Waters Flood Insurance Reform Act of 2012 as now or hereafter in effect or any successor statute thereto.

"Foreign Lender" means, with respect to any Borrower (a) if such Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Plan" means any employee benefit plan or arrangement (a) maintained or contributed to by any Loan Party or Subsidiary that is not subject to the laws of the United States, or (b) mandated by a government other than the United States for employees of any Loan Party or Subsidiary.

"Foreign Subsidiary" means, with respect to any Person, a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

"Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time; provided, that no change in the accounting principles used in the preparation of any financial statement hereafter adopted by a Borrower or any other Loan Party shall be given effect for purposes of measuring compliance with any provision of this Agreement unless the Borrower Agent, Administrative Agent and the Required Lenders agree to modify such provisions to reflect such changes in GAAP and, unless such provisions are modified, all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP; provided, further that no effect shall be given to any change in GAAP that would require leases of the type classified as operating leases under GAAP as in effect on the Closing Date to be classified or reclassified as capitalized leases. Notwithstanding the foregoing, pursuant to Section 5.6, books and records shall be kept in accordance with GAAP commencing July 1, 2017. All references in this Agreement to "in accordance with GAAP" for any time preceding July 1, 2017 shall be deemed to be "on a tax basis".

"Governmental Authority" means any federal, state, local, foreign or other agency, authority, body, commission, court, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority (including the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee(s)" means all direct and indirect guarantees, sales with recourse, endorsements (other than for collection or deposit in the ordinary course of business) and other obligations (contingent or otherwise, including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) by any Person to pay, purchase, repurchase or otherwise acquire or become liable upon or in respect of any Indebtedness of any other Person, and, without limiting the generality of the foregoing, all obligations (contingent or otherwise) by any Person to purchase products, supplies or other property or services for any Person under agreements requiring payment therefor regardless of the non-delivery or non-furnishing thereof, or to make investments in any other Person, or to maintain the capital, working capital, solvency or general financial conditions of any other Person, or to indemnify any other Person against and hold him harmless from damages, losses and liabilities, all under circumstances intended to enable such other Person or Persons to discharge any Indebtedness or to comply with agreements relating to such Indebtedness or otherwise to assure or protect creditors against loss in respect of such Indebtedness. The amount of any Guarantee shall be deemed to be the amount of the Indebtedness of, or damages, losses or liabilities of, the other Person or Persons in connection with which the Guarantee is made or to which it is related unless the obligations under the Guarantee are limited to a determinable amount, in which case the amount of such Guarantee shall be deemed to be such determinable amount. The term "Guarantee" as a verb has a corresponding meaning. For the avoidance of doubt, the keepwell provided by a Borrower, any Affiliate of Borrower or any Guarantor in Section 9.20 shall constitute a Guarantee.

"Guarantor(s)" means, collectively, (i) Holdings, (ii) any Subsidiary that becomes a Guarantor in accordance with Section 5.9, and (iii) any other Person who executes and delivers a Guaranty of the Obligations, jointly and severally.

"Guaranty" means, individually or collectively, as the case may be, the Guaranty made by the Guarantors in favor of Administrative Agent for the benefit of the Secured Parties in form substantially as attached hereto as **Exhibit B**.

"Historical Financial Statements" means reviewed financial statements of Hydrofarm, Inc. for the fiscal year ending December 31, 2015, unaudited financial statements of Hydrofarm, Inc for the fiscal year ending December 31, 2016 and unaudited financial statements of Hydrofarm, Inc. for the two months ending February 28, 2017.

"Holdings" means Hydrofarm Holdings LLC, a Delaware limited liability company.

"Hydrofarm" means Hydrofarm, LLC, a California limited liability company, which is the successor to Hydrofarm, Inc., a California corporation, as a result of the Reorganization and the Conversion.

"Hydrofarm Acquisition" means the Acquisition by Holdings of all of the Equity Interests of Hydrofarm on the date hereof pursuant to and in accordance with the Hydrofarm Acquisition Agreement.

"Hydrofarm Acquisition Agreement" means that certain Securities Purchase Agreement dated as of April 10, 2017 by and among Holdings, Hydrofarm, Hydrofarm, Inc. Employee Stock Ownership Plan and Trust and the Wardenburg 2009 Family Trust, as the same may be amended, supplemented and otherwise modified from time to time in accordance with the terms hereof.

"Impacted Loans" has the meaning set forth in Section 10.3(b).

"Indebtedness" means, as to any Person at a particular time, without duplication, the following: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) the maximum amount (after giving effect to any prior drawings or reductions that may have been reimbursed) of all letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person, (c) net obligations of such Person under any Swap Contract, (d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts and accrued expenses payable in the ordinary course of business and (A) not overdue by more than 90 days or (B) to the extent overdue by more than 90 days (but not more than 270 days) are being Properly Contested, (ii) any earn-out obligation to the extent such obligation is not required to be reflected on such Person's balance sheet in accordance with GAAP, (iii) accruals for payroll and other liabilities accrued in the ordinary course of business), (e) indebtedness in respect of the foregoing (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, (f) all Capital Lease Obligations, (g) all obligations of such Person in respect of Disqualified Equity Interests, (h) the principal balance of synthetic leases or other off-balance sheet financing arrangements, (i) all Contingent Obligations of such Person, and (j) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, except to the extent such Person's liability for such Indebtedness is otherwise limited and only to the extent such Indebtedness would be included in the calculation of consolidated Indebtedness. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) (to the extent that such Indebtedness is non recourse to such Person for amounts in excess of the value of the property securing such Indebtedness) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value (as determined by such Person in good faith) of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Parties" has the meaning specified in Section 9.5.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Borrower or Guarantor under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Initial Borrower" has the meaning specified in the preamble to this Agreement.

"Initial ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Insolvency Proceeding" means any voluntary or involuntary case or proceeding commenced by or against a Person under any state, federal or foreign law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code of the United States of America, or any other insolvency, debtor relief or debt adjustment law, (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property, or (c) an assignment or trust mortgage for the benefit of creditors.

"Intellectual Property" means (i) all intellectual and similar Property of a Person, including inventions, designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases, (ii) all embodiments or fixations thereof and all related documentation, applications, registrations and franchises, (iii) all licenses or other rights to use any of the foregoing, and (iv) all books and records relating to the foregoing.

"Intellectual Property Claim" means any claim or assertion (whether in writing, by suit or otherwise) that a Loan Party's or Subsidiary's ownership, use, marketing, sale or distribution of any inventory, equipment, Intellectual Property or other Property violates another Person's Intellectual Property.

"Intercreditor Agreement" means that certain Intercreditor Agreement, dated as of the date hereof, between the Revolving Loan Agent and the Administrative Agent, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

"Interest Payment Date" has the meaning set forth in Section 2.1(e)(3)(C).

"Interest Period" means with respect to any LIBOR Rate Loan, the period commencing on the date the relevant Term Loan is made and ending on the date which is one (1), two (2) or three (3) months thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the date the relevant Term Loan is made and each subsequent one (1), two (2) or three (3) month period thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto. For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding date in the next calendar month. Notwithstanding the foregoing, however, (i) any applicable Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any applicable Interest Period which begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period is to end shall (subject to clause (i) above) end on the last day of such calendar month, and (iii) no Interest Period shall extend beyond the Maturity Date or such earlier date as would interfere with the Borrowers' repayment obligations hereunder. There shall not be more than five (5) different Interest Periods with respect to LIBOR Rate Loans hereunder at any one time.

"Internally Generated Funds" means funds not constituting the proceeds of any Indebtedness, Debt Issuance, Equity Issuance, Asset Disposition or Casualty Event (in each case, without regard to the exclusions from the definitions thereof).

"Investment" means, with respect to any Person, any loan, advance or extension of credit (other than to customers in the ordinary course of business) by such Person to, or any Guarantee or other contingent liability with respect to the capital stock, Indebtedness or other obligations of, or any contributions to the capital of, any other Person, or any ownership, purchase or other acquisition by such Person of any interest in any capital stock, limited partnership interest, general partnership interest, or other securities of any such other Person, other than an Acquisition; and "Invest," "Investing" or "Invested" means the making of an Investment.

"IRS" means the United States Internal Revenue Service.

"Knowledge" of the Loan Parties means the actual knowledge of any Responsible Officer of any Loan Party.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each Person that has a Commitment or holds an outstanding Term Loan, from time to time. As of the Closing Date, the "Lenders" consist of the Persons set forth on **Schedule I**.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower Agent and the Administrative Agent.

"LIBOR Rate" means, for any Interest Period with respect to any LIBOR Rate Loan, the greater of (a) the offered rate per annum for deposits of dollars for the applicable Interest Period (as defined below) that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day in each Interest Period and (b) the offered rate per annum for deposits of dollars for an Interest Period of 3 months that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day of the applicable Interest Period. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Lenders at which deposits of dollars in immediately available funds are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination; provided, that if no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Administrative Agent at which deposits of dollars in immediately available funds with a term equal to three months are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination.

"LIBOR Rate Loan" means a Term Loan accruing interest at the LIBOR Rate.

"License" means any license or agreement under which a Loan Party is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

"Lien" means, with respect to any interest in Property (whether real, personal or mixed and whether tangible or intangible) (a) any interest or right which secures the payment of Indebtedness or an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest is based on common law, statute or contract, and whether or not choate, vested or perfected, including any such interest or right arising from a mortgage, charge, pledge, negative pledge or other agreement not to lien or pledge, assignments, security interest, conditional sale, levy, execution, seizure, attachment, garnishment, conditional sale, Capital Lease or trust receipt, or arising from a lease, consignment or bailment given for security purposes, and (b) any exception to or defect in the title to or ownership interest in such Property, including reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way, restrictive covenants, leases and licenses. For purposes of this Agreement, a Borrower or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Liquidity" means, as of any date of determination, (i) the cash-on-hand of the Borrowers and their Subsidiaries plus (ii) the "Availability" (as defined in the Revolving Loan Documents) as of such date.

"Loan Document(s)" means, individually or collectively, as the case may be, this Agreement, the Fee Letter, any Notes, the Guaranty, the Assumption Agreement, each Security Document, the Intercreditor Agreement and all other documents, agreements and certificates executed or delivered in connection with or contemplated by this Agreement or any other document evidencing or securing a Term Loan, each as may be amended, modified or supplemented from time to time.

"Loan Party" means each Borrower and each Guarantor.

"Major Asset Disposition" means a sale, transfer or other disposition of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions.

"Management Agreements" means, collectively, the (a) Management Agreement dated the Closing Date between Hawthorn Equity Partners, Inc. and Holdings, and (b) Management Agreement dated the Closing Date between JAMS Holdings LLC and Holdings, in each case, as the same may be amended, modified, supplemented and/or restated to the extent permitted under this Agreement.

"Managers" means, collectively, Hawthorn Equity Partners, Inc. and JAMS International LLC.

"Master Agreement" has the meaning set forth in the definition of Swap Contract.

"Material Adverse Effect" means the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could be reasonably expected to have a material adverse effect on the business, operations, Properties, or financial condition of any Loan Party, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on any Collateral, (b) impairs the ability of a Loan Party to perform its obligations under the Loan Documents, including repayment of any Obligations, or (c) otherwise impairs the ability of the Administrative Agent or any Lender to enforce or collect any Obligations or to realize upon any Term Loan Priority Collateral or any other material Collateral.

"Material Contract" means, other than the Hydrofarm Acquisition Agreement and the Loan Documents. any agreement or arrangement to which Holdings, any Loan Party or any of their Subsidiaries is party (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933, (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect, or (c) that relates to either (x) Subordinated Indebtedness or (y) Indebtedness, in the case of this clause (y), in an aggregate amount of $1,000,000 or more.

"Maturity Date" means May 12, 2022.

"Moody's" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which a Loan Party or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Cash Proceeds" means:

(a) with respect to any Asset Disposition, issuance of Equity Interests, receipt of Extraordinary Receipts or Casualty Event by or of a Borrower or any Subsidiary, the cash proceeds (including, when received, any deferred or escrowed payments) as and when received by a Loan Party or Subsidiary in cash from such disposition and/or such receipt (as applicable) (including cash proceeds received pursuant to policies of insurance (including business interruption insurance)), net of (i) reasonable and customary costs and expenses actually incurred in connection therewith, including legal, accounting and investment banking fees and sales commissions, (ii) amounts applied to repayment of Indebtedness secured by a Permitted Lien senior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on Collateral sold (with respect to an Asset Disposition), (iii) transfer or similar taxes paid (together with any Tax Distributions made to pay any such transfer or similar taxes) as a result of any applicable Asset Disposition, and (iv) reasonable and customary reserves for indemnities in connection with any applicable Asset Disposition, until such reserves are no longer needed; and

(b) with respect to any issuance of debt securities or other incurrence of Indebtedness (other than Indebtedness incurred in accordance with Section 6.2), the aggregate cash proceeds received by Holdings, a Borrower or any Subsidiary pursuant to such issuance or receipt, net of the reasonable and customary direct costs paid as a result thereof relating to such issuance.

"Net Working Capital" means the total current assets (excluding cash and cash equivalents) of the Borrowers and their Subsidiaries minus the total current liabilities (excluding current portion of any Indebtedness under this Agreement and the current portion of any other long-term Indebtedness which would otherwise be included therein (including Capital Lease Obligations), current interest and current taxes) of the Borrowers and their Subsidiaries, determined in accordance with GAAP.

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 9.1 and (b) has been approved by the Required Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Note(s)" means, individually or collectively, as the case may be, (a) the Notes (as defined in Section 2.1(a)), and (b) such other promissory notes accepted by the Lenders in exchange for or in substitution of any such Notes.

"Notice of Borrowing" means the notice in the form of **Exhibit C** attached hereto to be delivered to the Administrative Agent pursuant to Section 2.1 or such other form as may be reasonably approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer of the Borrower Agent.

"Obligations" means (i) all Term Loans, debts, liabilities, payment and performance obligations, covenants and duties of every kind, nature and description owing by the Borrowers or the Guarantors to the Administrative Agent, the Lenders or any Lender of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether direct or indirect (including those acquired by permitted assignment or participation), absolute or contingent, liquidated or unliquidated, due or to become due, now existing or hereafter arising and however acquired, and (ii) all Rate Hedging Obligations owing at any time or from time to time by the Borrowers or the Guarantors, or any of them, to the Lenders, any Lender or any Affiliate of any Lender (excluding, as to any Borrower or Guarantor, any Excluded Swap Obligations). The term includes all principal, interest, fees, charges, expenses, reasonable attorneys' fees, and any other sum chargeable (including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) to the Borrowers or the Guarantors under this Agreement or any other Loan Document or in connection with any Rate Hedging Obligation.

"Ordinary Course of Business" means the ordinary course of business of any Loan Party or Subsidiary, undertaken in good faith and consistent with applicable Law and past practices.

"Organic Documents" means, with respect to any Person, its charter, certificate or articles of incorporation or formation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, enforced any Loan Document.

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are imposed with respect to an assignment (other than an assignment made pursuant to Section 10.6).

"Outside Date" means May 12, 2017.

"Partial ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Payment Item" means each check, draft or other item of payment payable to Loan Party, including those constituting proceeds of any Collateral.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Funding Rules" means the Code and ERISA rules regarding minimum required contributions (including installment payments) to Pension Plans set forth in, for plan years ending prior to the Pension Protection Act of 2006 effective date, Section 412 of the Code and Section 302 of ERISA, both as in effect prior to such act, and thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"Pension Plan" any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Loan Party or ERISA Affiliate or to which the Loan Party or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

"Permitted Acquisition" means any Acquisition to the extent that each of the following conditions is satisfied with respect to such Acquisition:

(a) no Default or Event of Default exists on the date of the consummation of such Acquisition or would result therefrom;

(b) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Borrowers shall be in compliance with all of the Financial Covenants for the most recently ended Test Period;

(c) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00;

(d) the assets, business or Person being acquired had pro forma positive EBITDA for the 12 month period most recently ended;

(e) either (x) the assets, business or Person being acquired is located or organized within the United States or (y) the aggregate purchase price payable in respect of such Acquisition (together with the aggregate purchase price paid or payable in respect of all other Acquisitions consummated after the Closing Date in which the assets, business or Person acquired was located or organized outside the United States) does not exceed $15,000,000;

(f) neither a Loan Party or any of their respective Subsidiaries shall, in connection with any such Acquisition and/or series of related Acquisitions, assume or remain liable with respect to any Indebtedness of the related sellers or the business, Person or properties acquired, except to the extent permitted by Sections 6.2(e) and 6.3(i);

(g) the Persons or businesses to be acquired shall be, or shall be engaged in, a business of the type that the Borrowers and their Subsidiaries are permitted to be engaged in under the Loan Documents and, to the extent required by the Security Documents, the Collateral acquired in connection with any such Acquisition and/or series of related Acquisitions shall be made subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties in accordance with the Security Documents (having the priority set forth in the Intercreditor Agreement) and the Loan Parties shall otherwise comply with the terms of the Loan Documents relating to additional guarantees and further assurances;

(h) the Acquisition has been approved by the board of directors (or other equivalent governing body) of the Person to be acquired;

(i) with respect to such Acquisition or any series of related Acquisitions, the Borrower Agent shall have provided the Administrative Agent with (i) in each case only if made available to a Borrower prior to the consummation of such transaction, historical financial statements for the last three fiscal years of the Person or business to be acquired and unaudited financial statements thereof for the most recent interim period that is available, (ii) a reasonably detailed description of all material information relating thereto and copies of all material documentation pertaining to such transaction, (iii) a Compliance Certificate after giving pro forma effect to such Permitted Acquisition on a Pro Forma Basis, and (iv) to the extent that the aggregate purchase price payable in respect of such Acquisition is greater than or equal to $15,000,000, a quality of earnings report prepared for the Borrower Agent by an independent certified accounting firm of nationally recognized standing reasonably acceptable to the Administrative Agent;

(j) at least ten (10) Business Days prior to the proposed date of consummation of each such Acquisition, the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that such Acquisition and related series of Acquisitions complies with this definition (which shall have attached thereto reasonably detailed backup data and calculations showing such compliance); and

(k) such Acquisition or any series of related Acquisitions shall be permitted under the Revolving Loan Facility and the Revolving Loan Documents.

"Permitted Affiliate Sub Debt" means (x) Indebtedness of Holdings to a Related Party and (y) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to a Related Party, Indebtedness of the Borrower Agent to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

"Permitted Colorado Property Sale-Leaseback" means a sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property so long as (i) such sale-leaseback transaction is consummated on or prior to the date that is six (6) months following the Closing Date, (ii) no Default or Event of Default exists on the date of the consummation of such sale-leaseback transaction or would result therefrom, and (iii) after giving effect to such sale-leaseback transaction on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00.

"Permitted Contingent Obligations" means Contingent Obligations (a) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business, (b) arising from Swap Contracts permitted hereunder, (c) existing on the Closing Date and set forth on **Schedule 6.2**, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed, (d) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations, (e) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Property permitted hereunder, (f) arising under the Loan Documents, (g) arising under the Revolving Loan Documents to the extent permitted by the Revolving Loan Facility and the Intercreditor Agreement, (h) arising as a result of an unsecured Guaranty by Holdings of the Indebtedness, Real Property lease or other obligation of a Loan Party permitted by this Agreement (provided, that if any such Indebtedness, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to the Administrative Agent and the Lenders as compared to the subordination terms applicable to such Indebtedness, lease or other obligations), or (i) in an aggregate amount of $3,000,000 or less at any time.

"Permitted Discretion" means a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured term loan lender).

"Permitted Indebtedness" has the meaning set forth in Section 6.2.

"Permitted Investment" means any of the following Investments made by the Borrower or any of its Subsidiaries in any Person: (i) Investments in Subsidiaries to the extent existing on the Closing Date and set forth on **Schedule 6.6**, (ii) cash equivalents that that are subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and the Administrative Agent's control (subject to the Intercreditor Agreement), (iii) Permitted Acquisitions, (iv) Investments consisting of bank deposits in the Ordinary Course of Business, (v) Investments consisting of contributions of capital or asset transfers to the Borrower or any Wholly Owned Loan Party, so long as no Change of Control occurs as a result thereof, (vi) Investments consisting of (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business, (b) prepaid expenses and extensions of trade credit made in the Ordinary Course of Business, (c) deposits with financial institutions permitted hereunder, (d) intercompany loans by the Borrower or a Wholly Owned Loan Party to the Borrower or a Wholly Owned Loan Party, and (e) non-cash loans consisting of promissory notes from officers, directors and employees for the purchase of newly issued Equity Interests of Holdings, so long as no Change of Control occurs thereby, (vii) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts, (viii) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby, and (ix) so long as no Default or Event of Default has occurred and is continuing, other Investments by a Loan Party or Subsidiary (including Investments by a Loan Party or Subsidiary in Foreign Subsidiaries) in an aggregate amount not to exceed $5,000,000 at any one time outstanding.

"Permitted Lien" has the meaning set forth in Section 6.3.

"Permitted Management Fees" means the fees, in an aggregate amount not in excess of $850,000 per fiscal year, payable by the Borrowers to the Managers pursuant to the Management Agreements, as in effect on the Closing Date or as amended in accordance with Section 6.9(c).

"Permitted Purchase Money Debt" means Purchase Money Debt of the Loan Parties and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount of Permitted Purchase Money Debt outstanding does not exceed $1,000,000 at any time.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited partnership, limited liability company, association, trust or other entity or organization, whether acting in an individual, fiduciary or other capacity, or any government or political subdivision thereof or any agency, department or instrumentality thereof.

"Plan" means each employee benefit plan (as defined in Section 3(3) of ERISA) whether now in existence or hereafter instituted, of, or contributed to by, any Loan Party or any of their Subsidiaries or any of their respective ERISA Affiliates.

"Prime Rate" means the rate of interest quoted in *The Wall Street Journal* (or another national publication reasonably selected by the Administrative Agent) as the U.S. "Prime Rate."

"Pro Forma Basis" means, with respect to compliance with any financial performance test hereunder for the applicable Test Period, in respect of any Specified Transaction, the making of such calculation after giving pro forma effect to:

(a) the consummation of such Specified Transaction as of the first day of the applicable Test Period, as if such Specified Transaction had been consummated on the first day of such Test Period;

(b) the assumption, incurrence or issuance of any Indebtedness by Holdings or any of its Subsidiaries (including any Person which becomes a Subsidiary pursuant to or in connection with such Specified Transaction) in connection with such Specified Transaction, as if such Indebtedness had been assumed, incurred or issued (and the proceeds thereof applied) on the first day of such Test Period (with any such Indebtedness bearing interest during any portion of the applicable Test Period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness incurred during such Test Period);

(c) the costs and expenses of any target that have not been assumed by Holdings or any of its Subsidiaries shall be disregarded to the extent such costs and expenses are reasonably identifiable, factually supportable and certified by a Responsible Officer, and any (i) cost and expenses of any such target that have been assumed in any Specified Transaction and (ii) incremental recurring costs and expenses incurred in connection with any Specified Transaction shall, in the case of each of (i) and (ii) be calculated as if such costs and expenses were assumed on the first day of such Test Period; and

(d) with respect to any Colorado Property Sale-Leaseback, the incurrence of any lease, rental or other payment obligations by Holdings or any of its Subsidiaries in connection with such Colorado Property Sale-Leaseback, as if such lease, rental or other payment obligations had been incurred on the first date of such Test Period (and as if such payments had been paid during such Test Period);

with clauses (a) through (d) calculated in a manner consistent with GAAP and the definition of Consolidated EBITDA and subject to, the limitations set forth in the definition of Consolidated EBITDA, including adjustments for restructuring charges or reserves and non-recurring integration costs.

"Proceeding" has the meaning ascribed to it in Section 9.5.

"Properly Contested" means, with respect to any obligation of a Loan Party or Subsidiary, (a) the obligation is subject to a bona fide dispute regarding amount or the Loan Party' or Subsidiary's liability to pay, (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued, (c) appropriate reserves have been established in accordance with GAAP, (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Loan Party or Subsidiary, (e) no Lien is imposed on assets of the Loan Party or Subsidiary, unless bonded and stayed to the satisfaction of the Administrative Agent, and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, and any right in respect of any of the foregoing.

"Purchase Money Debt" means (a) Indebtedness (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets, (b) Indebtedness (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof, and (c) any renewals, extensions or refinancings (but not increases) thereof; provided, that, in no event shall the amount of Purchase Money Debt exceed the purchase price of the assets being financed in respect thereof.

"Purchase Money Lien" means a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Indebtedness and constituting a Capital Lease or a purchase money security interest under the Uniform Commercial Code.

"Qualified ECP Guarantor" means, at any time, each Borrower, Affiliate of Borrower or Guarantor with total assets exceeding $10,000,000 or that qualifies at such time as an "eligible contract participant" under the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" at such time under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Qualified Equity Interests" means any Equity Interests or Equity Interests Equivalents that are not Disqualified Equity Interests.

"Qualifying Issuance" means an issuance and sale for cash by Holdings, on or prior to the Equity Prepay Expiration Date, of common Equity Interests of Holdings that are Qualified Equity Interests.

"Rate Hedging Obligations" means any and all obligations of the Borrowers, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under Swap Contracts which are entered into or maintained by any Borrower, Guarantor or any of their Affiliates with the Administrative Agent or a Lender or an Affiliate of the Administrative Agent or a Lender and which are not prohibited by the express terms of the Loan Documents.

"Real Property" means all real property or interests therein wherever situated owned or ground (or space) leased by a Borrower or any other Loan Party or any of their respective Subsidiaries.

"Recipient" means the Administrative Agent or any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower or Guarantor hereunder.

"Refinancing" has the meaning ascribed to it in Section 2.1(a).

"Refinancing Conditions" means the following conditions (a) for Refinancing Debt (other than with respect to the extending, renewing or refinancing of Indebtedness arising under the Revolving Loan Facility): (i) it is in an aggregate principal amount that does not exceed the principal amount of the Indebtedness being extended, renewed or refinanced, (ii) it has a final maturity no sooner than, a weighted average life no less than, and an interest rate no greater than, the Indebtedness being extended, renewed or refinanced, (iii) it is subordinated to the Obligations at least to the same extent as the Indebtedness being extended, renewed or refinanced, (iv) the representations, covenants and defaults applicable to it are no less favorable to the Loan Parties than those applicable to the Indebtedness being extended, renewed or refinanced, (v) no additional Lien is granted to secure it, (vi) no additional Person is obligated on such Indebtedness, and (vii) upon giving effect to it, no Default or Event of Default exists, or (b) for Refinancing Debt that is extending, renewing or refinancing Indebtedness arising under the Revolving Loan Facility, such Indebtedness is extended, renewed or refinanced in accordance with and to the extent permitted by the terms and provisions of the Intercreditor Agreement.

"Refinancing Debt" means Indebtedness that is the result of an extension, renewal or refinancing of Permitted Debt permitted under Section 6.2(b), (d), (e) or (g).

"Register" has the meaning ascribed to it in Section 9.9(d).

"Regulation D," "Regulation T," "Regulation U" and "Regulation X" means Regulation D, Regulation T, Regulation U and Regulation X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Related Agreements" means the Hydrofarm Acquisition Agreement, the Management Agreements and all agreements, instruments and documents executed or delivered in connection therewith.

"Related Indemnified Party" has the meaning ascribed to it in Section 9.5.

"Related Parties" means the Sponsor or any of Holdings' other equity holders as of the Closing Date and, in each case, their Controlled Investment Affiliates.

"Remaining ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Reorganization" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Reportable Event" any event set forth in Section 4043(c) of ERISA, other than an event for which the thirty (30) day notice period has been waived.

"Required Lenders" means Lenders holding more than fifty percent (50%) of the aggregate outstanding principal amount of the Term Loans; provided that if there are at least two Lenders (treating Lenders that are Affiliates of one another as a single Lender for the purposes of this proviso), "Required Lenders" must include at least two Lenders. The Commitments and Loans of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Resignation Effective Date" has the meaning specified in Section 8.13.

"Responsible Officer" means the chief executive officer, president, senior vice president, senior vice president (finance), vice president, chief financial officer, treasurer, manager of treasury activities or assistant treasurer or other similar officer or Person performing similar functions of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant secretary of a Loan Party. To the extent requested by the Administrative Agent, each "Responsible Officer" will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance reasonably satisfactory to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. Unless otherwise specified, all references herein to a "Responsible Officer" shall refer to a Responsible Officer of the Borrower Agent.

"Restricted Payment" means (a) any declaration or payment of a distribution, interest or dividend on, any payment on account of, or any setting apart assets for a sinking or other analogous fund for, any Equity Interest or Equity Interests Equivalents, (b) any distribution, advance or repayment of any Indebtedness to a direct or indirect holder of Equity Interests or Equity Interests Equivalents, (c) any purchase, redemption, or other acquisition or retirement for value of, or any setting apart assets for a sinking or other analogous fund for the purchase, redemption, or other acquisition or retirement for value of, any Equity Interest or Equity Interests Equivalents or (d) any management fees paid to the Manager, the Sponsor, the Co-Investor or any of their respective Affiliates.

"Revolving Loan Agent" means Bank of America N.A., in its capacity as administrative agent and collateral agent under the Revolving Loan Facility, and its successors and assigns.

"Revolving Loan Agreement" has the meaning assigned to that term in the definition of "Revolving Loan Documents".

"Revolving Loan Documents" has the meaning assigned to the term "Revolving Loan Documents" in the Intercreditor Agreement.

"Revolving Loan Facility" means (i) that certain Loan and Security Agreement, dated as of the date hereof, as may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, among the Loan Parties, the Revolving Loan Agent and the Revolving Loan Lenders (the "Revolving Loan Agreement"), and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Indebtedness or other financial accommodation that has, subject to the limitations set forth herein and in the Intercreditor Agreement, been incurred by the Loan Parties to increase, extend, replace or refinance in whole or in part the Indebtedness and other obligations outstanding under (x) the Loan and Security Agreement referred to in clause (i) or (y) any subsequent Revolving Loan Facility, unless such agreement or instrument expressly provides that it is not intended to be and is not an Revolving Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Revolving Loan Facility hereunder shall be deemed a reference to any Revolving Loan Facility then in existence.

"Revolving Loan Lenders" has the meaning assigned to the term "Revolving Loan Lenders" in the Intercreditor Agreement.

"Revolving Loan Maximum Amount" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loan Obligations" shall mean the "Obligations" as such term is defined in the Revolving Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

"Revolving Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loans" means the "Revolver Loans" made pursuant to and as defined in the Revolving Loan Facility or any equivalent term used to describe the revolving loans (including any swingline loans, overadvances and protective advances made thereunder and in connection therewith).

"SBIA" means the Small Business Investment Act of 1958, as amended.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor to the rating agency business thereof.

"SDN List" has the meaning set forth in Section 4.27.

"Second ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Secured Parties" means, collectively, with respect to each of the Security Documents, the Administrative Agent, the Lenders, and each Affiliate of the Administrative Agent or any Lender, which Affiliate is party to any Rate Hedging Obligations and each agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.10.

"Security Agreement" means a Security Agreement dated as of the Closing Date, entered into by the Borrowers and the Guarantors in favor of the Administrative Agent for the benefit of the Secured Parties, as it may be amended, modified, restated or replaced from time to time.

"Security Documents" means and refer to the Security Agreement, the Perfection Certificate (as defined in the Security Agreement), the Guarantees and each other assignment, pledge or security agreement, instrument, certificate, financing statements, filings or document pursuant to which any Borrower, any Guarantor or any other Person shall grant or convey to the Administrative Agent or the Lenders a Lien in Collateral as security for all or any portion of the Obligations, whether now or hereafter in existence, as said agreements or documents may be amended, modified, restated or replaced from time to time, each in form and substance reasonably satisfactory to the Administrative Agent.

"Solvent" means, as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities), (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured, (c) is able to pay all of its debts as they mature, (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage, (e) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code of the United States of America, and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

"Specified Loan Party" means any Borrower, Affiliate of Borrower or Guarantor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to Section 9.20).

"Specified Acquisition Agreement Representations" means such of the representations and warranties made by or in respect of Hydrofarm, the Acquired Company, the Seller (as defined in the Hydrofarm Acquisition Agreement) or the Stockholders (as defined in the Hydrofarm Acquisition Agreement) in the Hydrofarm Acquisition Agreement, but only to the extent that the Initial Borrower (or any of its Affiliates) have the right to terminate its obligations to consummate the Hydrofarm Acquisition under the Hydrofarm Acquisition Agreement (or the right to not consummate the Hydrofarm Acquisition pursuant to the Hydrofarm Acquisition Agreement) (in each case, in accordance with the terms thereof) as a result of a breach of such representations and warranties in the Hydrofarm Acquisition Agreement (determined without regard to whether any notice is required to be delivered under the Hydrofarm Acquisition Agreement).

"Specified Representations" means the representations and warranties of the Loan Parties in Sections 4.1 (solely with respect to (x) the first sentence thereof (other than with respect to qualifications to do business as a foreign corporation) and (y) the third sentence thereof), 4.2, 4.4, 4.6(i), 4.7, 4.10, 4.11, 4.12, 4.13, 4.15, 4.20, 4.24 (solely with respect to the consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement being not in violation of any statute, regulation, order, judgment or decree), 4.26 (other than, in the case of the second sentence thereof, with respect to the perfection of the Lien in respect of any Collateral that, pursuant to Section 3.2, is not required to be provided on the Closing Date), 4.27, 4.28 and 4.32 (solely with respect to the last sentence thereof).

"Specified Transaction" means the Hydrofarm Acquisition, any Investment (including any Acquisition), Asset Disposition (including, without limitation, any Colorado Property Sale-Leaseback), incurrence or repayment of Indebtedness or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a "Pro Forma Basis".

"Sponsor" means Hawthorn Equity Partners and its Controlled Investment Affiliates.

"Subordinated Indebtedness" any Permitted Affiliate Sub Debt and any other Indebtedness incurred by a Loan Party that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, (g) is subject to permanent standstill provisions, and (h) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to the Administrative Agent in its Permitted Discretion.

"Subsidiary" of any Person means (i) any corporation of which more than 50% of the outstanding Equity Interests and Equity Interests Equivalents of any class or classes having ordinary voting power for the election of directors (irrespective of whether or not at the time Equity Interests or Equity Interests Equivalents of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is now or hereafter owned directly or indirectly by such Person, by such Person and one or more of its Subsidiaries, or by one or more of such Person's other Subsidiaries, (ii) any partnership, association, limited liability company, joint venture or other entity in which such Person, such Person and one or more of its Subsidiaries, or one or more of its Subsidiaries, is either a general partner or has an equity or voting interest of more than 50% at the time, and (iii) any other entity which is directly or indirectly controlled by such Person or one or more Subsidiaries of such Person or both; provided that, unless otherwise specified, any reference to "Subsidiary" means a Subsidiary of a Borrower.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Obligations" means with respect to any Borrower or Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Tax Distribution" means, with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and Holdings is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm to Holdings (which Holdings may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income of Holdings for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests in Holdings is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to clause (x)(ii)(b) above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of Holdings allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Loan Party (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of Holdings or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Loan Party pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of Holdings (to the extent Holdings reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement (it being understood and agreed that any time the Revolving Loan Facility is not in effect, the term "Term Loan Priority Collateral" shall mean all Collateral).

"Term Loans" means the term loans made on the Closing Date pursuant to Section 2.1(a).

"Test Period" in effect at any time means the most recent period of four consecutive fiscal quarters of the Borrowers ended on or prior to such time (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b) or (c), as applicable. A Test Period may be designated by reference to the last day thereof (*e.g.*, the "June 30, 2017 Test Period" refers to the period of four consecutive fiscal quarters of the Borrowers ended on June 30, 2017), and a Test Period shall be deemed to end on the last day thereof.

"Third ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Total Net Debt" means, as of any date of determination, (a) Indebtedness of the type described in clauses (a), (b), (d), (f), (h), (i) and (j) (but (1) excluding Permitted Affiliate Sub Debt and (2) in the case of clauses (i) and (j) solely to the extent Guaranteeing or related to Indebtedness described in clauses (a), (b), (d), (f) (but, in the case of earn-out obligations, only to the extent not paid when due) and (h)), minus (b) unrestricted cash and cash equivalents of the Borrowers and their Subsidiaries to the extent such cash or cash equivalents are subject to a first priority perfected security interest in favor of the Administrative Agent (subject to the Intercreditor Agreement) in an amount of up to $4,000,000 in the aggregate for all such cash and cash equivalents; provided that Total Net Debt shall not include Indebtedness in respect of (i) letters of credit, except to the extent of unreimbursed amounts thereunder and (ii) obligations under swap contracts.

"Total Net Leverage Ratio" means, in respect of any fiscal quarter of the Borrowers, on a consolidated basis, the ratio of Total Net Debt as of the last day of such fiscal quarter to Adjusted Consolidated EBITDA for the Test Period ending on the last day of such fiscal quarter.

"Transactions" means, collectively, (a) the execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and, in the case of the Borrowers, the borrowing of the Term Loans hereunder and the use of proceeds thereof in accordance with the terms hereof, (b) the execution, delivery and performance by each Loan Party of the Revolving Loan Documents to which such Loan Party is a party and, in the case of the borrowers under the Revolving Loan Documents, the making of the initial borrowings of Revolving Loans thereunder and the use of proceeds thereof in accordance with the terms thereof, (c) the execution, delivery and performance by Holdings of the Hydrofarm Acquisition Agreement and the other Acquisition Documents and the consummation of the transactions contemplated thereby, (d) the consummation of the Closing Equity Contribution, (e) the execution and delivery of the Assumption Agreement and the consummation of the transactions contemplated thereby, including the assumption by the Borrowers of the obligations of the Initial Borrower hereunder, and (f) the payment of related fees and expenses.

"United States" and "U.S." mean the United States of America.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning assigned thereto in Section 10.1(e)(ii)(B)(3).

"Wholly Owned Loan Party" means any Loan Party that is a Subsidiary of a Borrower so long as all of the Equity Interests and Equity Interests Equivalents of such Loan Party (other than directors' qualifying shares required by law) are owned by a Borrower, either directly or through one or more Subsidiaries of a Borrower that are Wholly Owned Loan Parties.

"WJCO" means WJCO LLC, a Colorado limited liability company, which is the successor to WJCO, Inc., a Colorado corporation, as a result of the Reorganization and the Conversion.

**1.2 Other Interpretive Provisions**. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) All undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition contained in Article or Division 9 shall control.

(c) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(d) The words "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(e) References in this Agreement to an Exhibit, Schedule, Article, Section, clause or sub-clause refer (A) to the appropriate Exhibit or Schedule to, or Article, Section, clause or sub-clause in this Agreement or (B) to the extent such references are not present in this Agreement, to the Loan Document in which such reference appears.

(f) The term "including" is by way of example and not a limitation.

(g) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(h) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(i) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

**1.3** **Accounting Terms; Payment Dates**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein. Unless the context indicates otherwise, any reference to a "fiscal year" or a "fiscal quarter" shall refer to a fiscal year ending December 31 or fiscal quarter ending March 31, June 30, September 30 or December 31 of the Borrowers.

**1.4** **References to Agreements, Laws, Etc**. Unless otherwise expressly provided herein, (a) any definition of or reference to any agreement, instrument or other document herein or in any Loan Document shall be construed as referring to such agreement, instrument or other document as may be from time to time amended, restated, amended and restated, supplemented or otherwise modified, extended, refinanced or replaced (subject to any restrictions or qualifications on such amendments, restatements, amendment and restatements, supplements or modifications, extensions, refinancings or replacements set forth herein or in any Loan Document) and (b) any reference to any law in any Loan Document shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law.

**1.5** **Times of Day**. Unless otherwise specified, all references herein to times of day shall be references to New York City time (daylight or standard, as applicable).

## ARTICLE II
## THE TERM LOANS

**2.1** **The Term Loans**.

(a) Term Loans. Subject (x) with respect to the conditions to the obligation to make such Term Loans on the Closing Date, only to the conditions precedent set forth in Section 3.1 and (y) otherwise, to the other terms and conditions set forth herein, the Lenders severally agree to make term loans (the "Term Loans") under the Commitments to the Borrowers on the Closing Date in an aggregate principal amount equal to $75,000,000 to fund (i) a portion of the purchase price for the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) a portion of the repayment, prepayment or redemption, as applicable, in full of all Indebtedness owing to third parties for borrowed money of the Acquired Company (together with the defeasance, discharge and termination thereof and the related release and termination of all guarantees and security interests granted thereunder, the "Refinancing"), (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes. The Commitments shall be terminated concurrently with the funding of the Term Loans on the Closing Date. The Borrowers' obligation to pay the principal of, and interest on, the Term Loan shall be evidenced by the records of the Lenders and by one or more promissory note(s) in form substantially as attached hereto as **Exhibit A** (the "Notes"). The entries made in the Register shall (absent manifest error) be *prima facie* evidence of the existence and amounts of the obligations of the Borrowers therein recorded; provided, that the failure or delay of the Lenders in maintaining or making entries into any such record or on such schedule or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Term Loan (both principal and unpaid accrued interest) in accordance with the terms of this Agreement.

(b) Notes. If requested by any Lender, the Term Loans made or held by such Lender shall be evidenced by, and be payable in accordance with, the terms of the Note issued to such Lender made by the Borrowers payable to the order of such Lender in a principal amount equal to the Term Loans held by such Lender; subject, however, to the provisions of such Note to the effect that the principal amount payable thereunder at any time shall not exceed the then unpaid principal amount of the Term Loans made or held by such Lender. The Borrowers hereby irrevocably authorize each Lender to make or cause to be made, at or about the time of the Term Loans made by such Lender, an appropriate notation on the records of such Lender, reflecting the principal amount of such Term Loans, and such Lender shall make or cause to be made, on or about the time of receipt of payment of any principal of any Term Loans, an appropriate notation on its records reflecting such payment and such Lender will, prior to any transfer of any of such Note, endorse on the reverse side thereof the outstanding principal amount of the Term Loans evidenced thereby. Failure to make any such notation shall not affect the Loan Parties' obligations in respect of such Term Loans. The aggregate amount of all Term Loans set forth on the Register shall be conclusive evidence of the principal amount owing and unpaid on such Lender's Note, absent manifest error.

(c) Promise to Pay. The Borrowers hereby promise to pay in full to the Administrative Agent for the benefit of the Lenders the amount of all Obligations, including the principal amount of all Term Loans, together with accrued interest, fees and other amounts due thereon, all in accordance with the terms of this Agreement. All outstanding Obligations, including the outstanding principal amount of all Term Loans, together with unpaid accrued interest, fees and other amounts due thereon, shall be due and payable in full on the Maturity Date.

(d) Required Payments.

(1) Amortization. Commencing September 30, 2017, and continuing on the last day of each fiscal quarter of the Borrowers thereafter, the Borrowers shall make quarterly repayments of the principal amount of the Term Loans in the aggregate principal amount equal to 0.625% of the original principal amount of the Term Loans on the Closing Date.

(2) Maturity. The entire remaining unpaid principal balance of the Term Loan, together with accrued but unpaid interest, shall be due and payable in full on the Maturity Date.

(e) Interest. The Borrowers agree to pay interest on the aggregate outstanding principal amount of the Term Loans until paid in full as follows:

(1) Accrual. From the Closing Date through the Maturity Date, the Term Loans shall bear interest at the rate of (i) with respect to LIBOR Rate Loans, the LIBOR Rate plus the Applicable Margin, and (ii) with respect to Base Rate Loans, the Base Rate plus the Applicable Margin.

(2) Default Interest. While any Default or Event of Default exists and is continuing, either (i) from and after the delivery of written notice to the Borrower from the Administrative Agent or the Required Lenders of their election to charge Default Interest until the applicable Event of Default is cured or waived or (ii) immediately upon the occurrence of any Default or Event of Default under Section 7.1(a) or 7.1(j) until the applicable Event of Default is cured or waived, the Borrower shall pay interest ("Default Interest") with respect to each Term Loan, plus any accrued and unpaid interest thereon, then outstanding at the Default Rate. All Default Interest shall be payable on demand.

(3) Payment Dates. Interest accrued on each Term Loan shall be payable, without duplication:

(A) on the Maturity Date;

(B) in respect of any Term Loan, on the date of any payment or prepayment, in whole or in part, of principal outstanding on such Term Loan, on the principal amount so paid or prepaid; and

(C) in respect of (i) any Base Rate Loan, on May 31, 2017 and on the last Business day of each month thereafter and (ii) with respect to any LIBOR Rate Loan, at the end of each Interest Period (together with the Maturity Date, each an "Interest Payment Date");

The Administrative Agent shall determine each interest rate applicable to the Term Loan in accordance with the terms hereof and, upon any rate change, shall promptly notify the Borrower Agent of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

(f) Calculation of Interest. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBOR Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Term Loan for the day on which the Term Loan is made, and shall not accrue on a Term Loan, or any portion thereof, for the day on which the Term Loan or such portion is paid. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(g) Prepayment. Subject to the Intercreditor Agreement, prepayments of the Term Loans shall be (or in the case of Section 2.1(g)(1), may be) made as set forth below:

(1) (i) The Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, except that any prepayment of Term Loans pursuant to this Section 2.1(g)(1)(i) effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each partial prepayment shall be in an aggregate principal amount of not less than $1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10.5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(ii) On or prior to the Equity Prepay Expiration Date, the Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, from the Net Cash Proceeds received by Holdings from a Qualifying Issuance; provided, that (A) the maximum principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii) with respect to any Qualifying Issuance shall not exceed fifty percent (50%) of the Net Cash Proceeds received by Holdings from such Qualifying Issuance, (B) the aggregate principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii), whether in connection with one or multiple Qualifying Issuances, shall in no event exceed $2,500,000, and (C) in no event shall the Loan Parties be permitted to prepay any Term Loans pursuant to this Section 2.1(g)(1)(ii) after the Equity Prepay Expiration Date. Each partial prepayment shall be in an aggregate principal amount of not less than $1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10.5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(2) Concurrently with the receipt by Holdings or any of its Subsidiaries of any Net Cash Proceeds of any Extraordinary Receipts, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(3) No later than five (5) days following the date of delivery of annual audited financial statements for the fiscal year ending December 31, 2017 pursuant to Section 5.1(b) and thereafter no later than the date five (5) days following the date of delivery of annual audited financial statements for each subsequent fiscal year pursuant to Section 5.1(b) (such required payment date during any fiscal year is herein referred to as the "Initial ECF Payment Date" in respect of such fiscal year), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to (i) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been greater than or equal to 3.25:1.00, 50.0% of Excess Cash Flow for such Excess Cash Flow Period, (ii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 3.25:1.00 but greater than or equal to 2.50:1.00, 25.0% of Excess Cash Flow for such Excess Cash Flow Period, or (iii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 2.50:1.00, 0.0% of Excess Cash Flow for such Excess Cash Flow Period (the amount of the required mandatory prepayment to be made in a fiscal year as determined in accordance with the foregoing is herein referred to as the "ECF Payment Amount" in respect of such fiscal year); provided that, at the option of the Borrowers, any voluntary prepayments of the Term Loans (to the extent paid with Internally Generated Funds) made during such fiscal year prior to the applicable Initial ECF Payment Date in such fiscal year (and without duplication in the next fiscal year) will reduce the ECF Payment Amount required for such fiscal year on a dollar-for-dollar basis; provided, further, that, if the ECF Liquidity as of the Initial ECF Payment Date in a particular fiscal year, calculated on a pro forma basis assuming that the entire ECF Payment Amount for such fiscal year was paid on such Initial ECF Payment Date, is less than $10,000,000, then:

(A) the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Initial ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Initial ECF Payment Date in an amount equal to the entire ECF Payment Amount for such fiscal year; or

(ii) elect to (a) reduce the mandatory prepayment of Term Loans required to be made pursuant to this Section 2.1(g)(3) on such Initial ECF Payment Date to an amount equal to the product of (x) 50%, times (y) the ECF Payment Amount for such fiscal year (the "Partial ECF Payment Amount"), which Partial ECF Payment Amount shall be due and payable by the Borrowers no later than the date five (5) days following the date of delivery of the annual audited financial statements pursuant to Section 5.1(b) for the prior fiscal year, and (b) defer the obligation of the Borrowers' to prepay the amount by which the ECF Payment Amount for such fiscal year exceeds such Partial ECF Payment Amount (the "Remaining ECF Payment Amount") until either the Second ECF Payment Date or Third ECF Payment Date as determined in accordance with clauses (B) and (C) below;

(B) if, pursuant to clause (A) above, the Borrowers shall have duly elected to make a payment of the Partial ECF Payment Amount on the Initial ECF Payment Date in respect of such fiscal year, then, on June 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Second ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year; provided, that, if the ECF Liquidity as of such Second ECF Payment Date, calculated on a pro forma basis assuming that the entire Remaining ECF Payment Amount for such fiscal year was paid on such Second ECF Payment Date, is less than $10,000,000, then the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Second ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Second ECF Payment Date in an amount equal to the Remaining ECF Payment Amount for such fiscal year; or

(ii) elect to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date; and

(C) if, pursuant to clause (B) above, the Borrowers shall have duly elected to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date, then, on September 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Third ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year.

(4) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds from (i) any Casualty Event or (ii) any Asset Disposition (other than an Asset Disposition permitted under clause (a), (b), (c), (d), (f), (g), (h), (i), (j) or (l) of Section 6.4), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds; provided that the foregoing prepayment obligation shall not apply to the extent such Net Cash Proceeds, are reinvested or committed to be reinvested in other assets or property useful in the business of the Borrowers and their Subsidiaries within 180 days of the receipt of such Net Cash Proceeds, and if so committed to be reinvested, reinvested no later than ninety (90) days after the end of such 180 day period (provided, that, in the event that the property or asset that was subject to such Casualty Event or Asset Disposition was Term Loan Priority Collateral, any property or asset in which such Net Cash Proceeds are so reinvested must be Term Loan Priority Collateral); provided, further, that the foregoing prepayment obligation shall not apply to the extent that (A) such Net Cash Proceeds are received by the Loan Parties in connection with a Permitted Colorado Property Sale-Leaseback, (B) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that (i) no Default or Event of Default exists on the date of the consummation of such Permitted Colorado Property Sale-Leaseback or would result therefrom, (ii) after giving effect to such Permitted Colorado Property Sale-Leaseback on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period does not exceed 4.00:1.00, and (iii) the Loan Parties will, within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, apply 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations, and (C) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Loan Parties shall have applied 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations.

(5) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds of any Indebtedness (except for Permitted Indebtedness) by Holdings or any of its Subsidiaries, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(6) Concurrently with the receipt by a Borrower of Equity Cure Contributions, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Equity Cure Contributions.

(7) Concurrently with a Change of Control or a sale of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions occurs, the Borrowers shall prepay the Term Loans, plus accrued and unpaid interest thereon, together with any other then outstanding Obligations.

(8) Any prepayment of Term Loans pursuant to Sections 2.1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7), effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by the Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each prepayment made pursuant to Section 2.1(g) shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. To the extent applicable, the Borrowers shall reimburse the Lenders and the Administrative Agent on demand for amounts set forth in and, to the extent required by, Section 10.5. The Borrower Agent shall give the Administrative Agent prior written notice of any event or circumstances reasonably likely to give rise to a mandatory prepayment obligation under this Section 2.1(g) (including the date and an estimate of the aggregate amount of such mandatory prepayment) at least five (5) Business Days prior thereto); provided that the failure to give such notice shall not constitute a Default or an Event of Default but shall not relieve the Borrowers of their obligation to make such mandatory prepayments.

**2.2 Election by Borrower Agent**.

(a) Interest Rate for Term Loans. The Borrower Agent may, upon irrevocable written notice to the Administrative Agent delivered at least three Business Days prior to such conversion or continuation, elect (i) as of any Business Day, to convert any Term Loans (or any part thereof in an aggregate amount of not less than $100,000 or a higher integral multiple of $50,000) into Credit Loans of the other type or (ii) as of the last day of the applicable Interest Period, to continue any LIBOR Rate Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $50,000) for a new Interest Period; provided, that any conversion of a LIBOR Rate Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 10.5.

(b) Lenders' Records. The Borrowers hereby irrevocably authorize the Administrative Agent to make, or cause to be made, an appropriate notation on the Register, reflecting the date and original principal amount of each Term Loan made by any Lender, the dates for each period when such Term Loan is being maintained as a LIBOR Rate Loan, the interest rate for each such period and the dates of principal and interest payments on such Term Loan. The Register shall be conclusive evidence of the status of such Lender's Term Loans, absent manifest error. Failure to make any such notation shall not affect the Borrowers' obligations in respect of such Term Loans.

**2.3 Payments**. Any other provision of this Agreement to the contrary notwithstanding, the Borrowers shall make each payment of interest on and principal of the Notes, and fees and other payments due under this Agreement (except as otherwise expressly provided herein), in immediately available funds to the Administrative Agent at its office referred to in Section 9.3 not later than 2:00 p.m. on the date when due. Subject to Section 10.1 (Taxes) hereof, payments by the Borrowers under this Agreement shall be made without offset, counterclaim or other deduction and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes. The Administrative Agent will promptly thereafter distribute like funds ratably to each Lender (unless such amount is not to be shared ratably in accordance with the terms hereof).

**2.4 Setoff; etc**. Upon the occurrence and during the continuance of an Event of Default, each Lender and the Administrative Agent are hereby authorized at any time and from time to time, without prior notice to the Borrowers (any such notice being expressly waived by the Borrowers), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or Administrative Agent to or for the credit or the account of any Borrower or any of the other Loan Parties, including specifically any amounts held in any account maintained at such Lender or Administrative Agent, against amounts then due to the Administrative Agent or the Lenders, or any of them, by any Borrower or any of the other Loan Parties in connection with this Agreement or any Loan Document; provided that no Lender shall exercise any such right without the prior written consent of the Administrative Agent (at the direction of the Required Lenders). The rights of the Lenders and the Administrative Agent under this Section 2.4 are in addition to other rights and remedies (including other rights of set-off) which the Lenders and the Administrative Agent may have under applicable law. Each Lender and the Administrative Agent agrees, severally and not jointly, to use reasonable efforts to notify the Borrower Agent of any exercise of its rights pursuant to this Section 2.4, provided, however, that failure to provide such notice shall not affect any Lender's or the Administrative Agent's rights under this Section 2.4 or the effectiveness of any action taken pursuant hereto; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.9 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees to notify the Borrower Agent and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

**2.5** **Sharing**. If any Lender shall obtain any payment (whether voluntary, involuntary, by application of offset or otherwise) on account of the Term Loans made by it in excess of such Lender's ratable share of payments on account of the Term Loans obtained by all the Lenders, such Lender shall purchase from the other Lenders such participations in the Term Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided that, (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and (ii) the provisions of this Section 2.5 shall not be construed to apply to any payment made by or on behalf of a Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender). The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.5 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right to setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

**2.6** **Fees**. The Borrowers shall pay to the Administrative Agent for its own account or for the account of the Lenders, as specified therein, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

**2.7** **Lending Branch**. Subject to the provisions of Section 10.6(a), each Lender may, at its option, elect to make, fund or maintain its Term Loans hereunder at the branch or office specified on the signature pages hereto or such other of its branches or offices as such Lender may from time to time elect.

**2.8** **Application of Payments and Collections**.

(a) Order of Application of Payments. Subject to the Intercreditor Agreement and the provisions of subsection (b) below, all payments and prepayments and any other amounts received by the Administrative Agent from or for the benefit of the a Borrower shall be applied, first to pay principal of and interest on any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers, second ratably to pay all other Obligations in respect of fees, expenses, reimbursements or indemnities then due and payable, third ratably to pay interest then due in respect of the Term Loans, and fourth to pay the principal of the Term Loans then due and payable.

(b) Application of Payments After an Event of Default. Subject to the Intercreditor Agreement, after the occurrence of an Event of Default and while the same is continuing, the Administrative Agent shall, unless the Administrative Agent and the Lenders shall agree otherwise, apply all payments and prepayments in respect of any Obligations in the following order:

(1) to pay interest on and then principal of any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers;

(2) to pay Obligations in respect of any fees, expense reimbursements or indemnities then due to the Administrative Agent;

(3) ratably to pay Obligations in respect of any fees, expenses, reimbursements or indemnities (other than principal and interest) payable to the Lenders;

(4) to the payment of interest on all Term Loans and any amounts due pursuant to Sections 10.4 and 10.5, to be allocated among the Lenders pro rata based on the respective aggregate amounts of such accrued interest and amounts owed to them; and

(5) to the payment of the outstanding principal amounts of all Term Loans and Obligations under Rate Hedging Obligations to be allocated among the Lenders, pro rata based on the respective outstanding principal amounts described in this clause (5) payable to them.

(c) Each of the Lenders hereby irrevocably designates the Administrative Agent its attorney in fact for the purpose of receiving any and all payments to be made to such Lender in respect of Obligations held by it, and hereby directs each payor of any such payment to make such payment to the Administrative Agent. Each of the Lenders hereby further agrees that if, notwithstanding the foregoing, it should receive any such payment (including by set-off), it shall hold such payment in trust for, and promptly deliver such payment to, the Administrative Agent.

(d) The Administrative Agent shall promptly distribute to each Lender at its primary address set forth on the appropriate signature page hereof or at such other address as a Lender may notify the Administrative Agent in writing, such funds as such Lender may be entitled to receive.

**2.9 Defaulting Lenders.**

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(1) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 9.1.

(2) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 2.4 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower Agent may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower Agent, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and sixth, to such Defaulting Lender or as otherwise as may be required under the Loan Documents in connection with any Lien conferred thereunder or directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Term Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Term Loans were made at a time when the conditions set forth in Section 3.1 were satisfied or waived, such payment shall be applied solely to pay the Term Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Term Loans of such Defaulting Lender until such time as all Term Loans are held by the Lenders pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower Agent and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Term Loans to be held on a pro rata basis by the Lenders in accordance with their respective Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of a Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

**2.10 Joint and Several Liability**.

(a) Joint and Several Liability. All Term Loans made to the Borrowers (or assumed by the Borrowers pursuant to the Assumption Agreement) and all of the other Obligations of the Borrowers, including all interest, fees and expenses with respect thereto and all indemnity and reimbursement obligations hereunder, shall constitute one joint and several direct and general obligation of all of the Borrowers. Notwithstanding anything to the contrary contained herein, each of the Borrowers shall be jointly and severally, with each other Borrower, directly and unconditionally, liable for all Obligations, it being understood that the advances to each Borrower inure to the benefit of all Borrowers, and that the Administrative Agent and the Lenders are relying on the joint and several liability of the Borrowers as co-makers in extending the Term Loans hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Obligation, it will forthwith pay the same, without notice or demand, unless such payment is then prohibited by applicable Law.

(b) No Reduction in Obligations. No payment or payments made by any of the Borrowers or any other Person or received or collected by the Administrative Agent or any Lender from any of the Borrowers or any Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of each Borrower under this Agreement for the remaining Obligations, which shall remain liable for all remaining and thereafter arising Obligations until the payment in full in cash of the Obligations and the Commitments are terminated.

(c) Obligations Absolute. Each Borrower agrees that the Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto, unless such payment is then prohibited by applicable Law. All Obligations shall be conclusively presumed to have been created in reliance hereon. The liabilities of the Borrowers under this Agreement shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto, (ii) any change in the time, manner or place of payments of, or in any other term of, all or any part of the Obligations, or any other amendment or waiver thereof or any consent to departure therefrom, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise, (iii) any taking, exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Obligations, (iv) any change, restructuring or termination of the corporate structure or existence of any Loan Party, or (v) any other circumstance which would otherwise constitute a defense available to, or a discharge of, any Loan Party, other than payment in full in cash of the Obligations.

(d) Waiver of Suretyship Defenses. Each Borrower agrees that the joint and several liability of the Borrowers provided for in this Section 2.10 shall not be impaired or affected by any modification, supplement, extension or amendment of any contract or agreement to which the other Borrowers may hereafter agree (other than an agreement signed by the Administrative Agent and the Lenders specifically releasing such liability), nor by any delay, extension of time, renewal, compromise or other indulgence granted by the Agent or any Lender with respect to any of the Obligations, nor by any other agreements or arrangements whatever with the other Borrowers or with anyone else, each Borrower hereby waiving all notice of such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if it had expressly agreed thereto in advance. The liability of each Borrower is direct and unconditional as to all of the Obligations, and may be enforced without requiring the Administrative Agent or any Lender first to resort to any other right, remedy or security. Each Borrower hereby expressly waives promptness, diligence, notice of acceptance and any other notice (except to the extent expressly provided for herein or in another Loan Document) with respect to any of the Obligations, this Agreement or any other Loan Documents and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any Collateral.

(e) Contribution and Indemnification among the Borrowers. Each Borrower is obligated to repay the Obligations as joint and several obligors under this Agreement. To the extent that any Borrower shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Term Loans made to another Borrower hereunder or other Obligations incurred directly and primarily by any other Borrower (an "Accommodation Payment"), then the Borrower making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Borrowers in an amount, for each of such other Borrowers, equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Borrower's "Allocable Amount" (as defined below) and the denominator of which the sum of the Allocable Amounts of all of the Borrowers. As of any date of determination, the "Allocable Amount" of each Borrower shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Borrower hereunder without (i) rendering such Borrower "insolvent" within the meaning of Section 101(31) of Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code"), Section 2 of the Uniform Fraudulent Transfer Act (the "UFTA"), or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (ii) leaving such Borrower with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 4 of the UFCA, or (iii) leaving such Borrower unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA. Each Borrower hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Loan Party, howsoever arising, to the payment in full in cash of its Obligations.

**2.11 Borrower Agent**. Each Borrower hereby designates (a) at all times prior to the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, the Initial Borrower and (b) upon and at all times after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Hydrofarm (the "Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipt of Term Loans, designation of interest rates, delivery or receipt of communications, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with the Administrative Agent or any Lender. Borrower Agent hereby accepts such appointment. The Administrative Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any notice of borrowing) delivered by Borrower Agent on behalf of any Borrower. The Administrative Agent and Lenders may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of the Administrative Agent and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action, omission or undertaking by Borrower Agent shall be binding upon and enforceable against such Borrower.

## ARTICLE III
## CONDITIONS PRECEDENT

**3.1 Conditions Precedent to Term Loans on the Closing Date**. The obligation of each Lender to make the Term Loans on the Closing Date shall be subject only to the following conditions precedent, each to the satisfaction of, and as determined by, Administrative Agent and Lenders (including, with respect to any documents or agreements referred to below, that such documents or agreements are in form and substance reasonable and customary for transactions of the type contemplated by this Agreement):

(a) The Administrative Agent shall have received copies (in sufficient number for each of the Lenders to receive a copy) of all of the following, each dated the Closing Date or such earlier date as approved by the Administrative Agent:

(1) This Agreement, appropriately completed and duly executed by the parties hereto;

(2) The Notes, to the extent requested, appropriately completed and duly executed by the Borrowers;

(3) The Guaranty, appropriately completed and duly executed and delivered by each of the Guarantors;

(4) The Security Agreement, appropriately completed and duly executed by the parties thereto;

(5) Uniform Commercial Code financing statements authorized by the applicable Loan Party as debtor, and naming the Administrative Agent as secured party with respect to the Collateral;

(6) Favorable legal opinions of Perkins Coie LLP, special counsel to the Loan Parties, addressed to the Administrative Agent and each of the Lenders, acceptable to Administrative Agent in its reasonable discretion, as to such matters as are reasonably required by Administrative Agent with respect to the Loan Parties and this Agreement, each of the Security Documents executed on the Closing Date and the other Loan Documents and covering such other matters relating to the Loan Documents as the Administrative Agent shall reasonably request;

(7) A closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent as to the items set forth in Section 3.1(d), (e), (f), (g), (h), (j), (k), (l) and (m);

(8) A certificate executed by a Responsible Officer or member of each Loan Party, certifying in the name of and on behalf of such Loan Party that (A) a true, correct and complete copy of its charter document, with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (B) a true, correct and complete copy of its operating agreement or bylaws, with all amendments thereto, is attached to the certificate, (C) a correct and complete copy of the resolutions of its members or shareholders authorizing the execution, delivery and performance of the Loan Documents to which it is a party are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (D) a certificate of good standing dated within a reasonably close period of time prior to the Closing Date for such Loan Party issued by the Secretary of State or similar state official for the state in which such Loan Party is incorporated, formed or organized and (E) signature and incumbency certificates of its officers executing any of the Loan Documents, all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification;

(9) On the Closing Date after giving effect to the initial funding of the Term Loans and the initial funding under the Revolving Loan Facility, the Loan Parties shall have (x) no outstanding Indebtedness other than the Term Loans funded on the Closing Date and other Permitted Indebtedness, and (y) no Liens outstanding other than Permitted Liens;

(10) Duly executed payoff letters and UCC-3 termination statements with respect to any Liens which are not Permitted Liens upon any Property of the Loan Parties or any of their Subsidiaries, including for the avoidance of doubt all payoff letters and UCC-3 termination statements as are necessary to effect the Refinancing;

(11) A certificate, duly executed by a Responsible Officer of Borrower Agent, certifying as to the solvency on the Closing Date of Holdings and its Subsidiaries;

(12) The Acquisition Documents for the Hydrofarm Acquisition and an assignment and/or contribution to the Loan Parties of Holdings' rights under the Acquisition Documents, including, without limitation, any escrow accounts or representation and warranty insurance entered into in connection therewith, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(13) The Revolving Loan Documents, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(14) Administrative Agent shall have received, in each case in form and substance reasonably satisfactory to Administrative Agent, evidence of property, business interruption and liability insurance covering each Loan Party (provided that to the extent the appropriate endorsements naming Administrative Agent as lender's loss payee on all policies for property hazard insurance and as additional insured on all policies for liability insurance cannot be delivered by the Closing Date, they should be required to be delivered to the extent required under Section 5.12); and

(15) A Notice of Borrowing appropriately completed and duly executed by the Borrowers.

(b) The Borrowers shall have paid all fees due on or prior to the Closing Date in accordance with the provisions of Section 2.6 which payment shall be nonrefundable (which amounts, in the case of fees payable to Administrative Agent and Lenders and at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date).

(c) The Borrowers shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of the Loan Documents and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Agreement and the Loan Documents, which payment shall be nonrefundable to the extent required by Section 9.4 and which payment, at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date.

(d) The Hydrofarm Acquisition shall have been, or substantially concurrently with the initial borrowing under this Agreement and shall be, consummated in accordance with the Hydrofarm Acquisition Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Administrative Agent (it being understood and agreed that (a) any modification, amendment or waiver to the definition of "Material Adverse Effect" or any similar term contained in the Hydrofarm Acquisition Agreement shall require consent of the Administrative Agent and the Lenders, (b) any increase in the purchase price shall not require consent of the Administrative Agent and the Lenders so long as such increase shall be funded by an increase in the Closing Equity Contribution, and (c) any modification, amendment or waiver to any provision of the Hydrofarm Acquisition Agreement to which the Lenders are a third party beneficiary pursuant to the terms thereof (including, without limitation, Section 12.8 of the Hydrofarm Acquisition Agreement) shall require consent of the Administrative Agent and the Lenders).

(e) The Specified Acquisition Agreement Representations shall be true and correct in all respects on and as of the Closing Date.

(f) The Specified Representations shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the Term Loans and the consummation of the other Transactions on, the Closing Date.

(g) Since December 31, 2015, there shall not have occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Hydrofarm Acquisition Agreement).

(h) The Refinancing shall be consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(i) Each Borrower and each of the Guarantors shall have provided the documentation and other information to the Administrative Agent (to the extent reasonably requested by the Administrative Agent in writing at least five (5) Business Days prior to the Closing Date) that are required by regulatory authorities under the applicable "know-your-customer" rules and regulations, including the PATRIOT Act, in each case at least two (2) Business Days prior to the Closing Date.

(j) The Consolidated EBITDA of Holdings and its Subsidiaries, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, for the twelve month period ending February 28, 2017, shall not be less than $25,000,000.

(k) The Total Net Leverage Ratio as of the Closing Date, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, shall not be greater than 4.27:1.00.

(l) An initial borrowing of Revolving Loans under the Revolving Loan Documents providing net proceeds to the Loan Parties of not more than $30,000,000 shall have occurred substantially simultaneously with the funding of the Term Loans and, immediately after giving effect to such initial borrowing, the Loan Parties shall have "Availability" (as defined in the Revolving Loan Documents) of at least $10,000,000 under the Revolving Loan Facility.

(m) The Closing Equity Contribution shall have been consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(n) The Administrative Agent shall have received (i) a pro forma balance sheet of Hydrofarm and its Subsidiaries dated as of the Closing Date and giving effect to the Hydrofarm Acquisition, which such balance sheet shall reflect no material change from the most recent pro forma balance sheet of Hydrofarm and its Subsidiaries previously delivered to the Administrative Agent, and (ii) financial projections (prepared on a fiscal monthly basis) of Hydrofarm and its Subsidiaries evidencing the Loan Parties' ability to comply with the financial covenants set forth in Section 6.1.

(o) The Administrative Agent will have received the Historical Financial Statements.

(p) The Closing Date shall occur on or before the Outside Date.

(q) Subject to Section 3.2, the Administrative Agent shall have received (i) the certificates, as applicable, representing the Equity Interests pledged pursuant to the Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and such other documents required by the Security Agreement in respect thereof, and (ii) all duly prepared financing statements on form UCC-1 and all other documents, instruments, filings, recordings, and registrations required to perfect the Liens created by the Security Documents, in sufficient copies and in form adequate to effect all such filings, recordings, and registrations.

**3.2 Perfection on the Closing Date**. Notwithstanding anything to the contrary herein, to the extent a perfected security interest in any Collateral (other than (i) any security interest that can be perfected by means of the filing of a UCC financing statement or by short-form intellectual property filings with the United States Patent and Trademark Office and the United States Copyright Office, and (ii) the pledge and perfection of security interests in the Equity Interests of the Borrowers and their Subsidiaries with respect to which a Lien may be perfected by the delivery of a stock or equity certificate) is not or cannot be provided on the Closing Date after the Initial Borrower's use of commercially reasonable efforts to do so or without undue burden or expense, then the perfection of such security interests shall not constitute a condition precedent to the making of the Term Loans on the Closing Date, but instead shall be required to be delivered after the Closing Date in accordance with Section 5.12.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES

Each of the Loan Parties represents and warrants to the Administrative Agent and each of the Lenders that as of the Closing Date:

**4.1 Organization; etc**. Each Loan Party and each of their respective Subsidiaries is a limited liability company, corporation or other organization, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its organization, has full power and authority to own its property and conduct its business as conducted by it and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing could not reasonably be expected, in the aggregate, to result in a Material Adverse Effect. A list of jurisdictions in which each such Loan Party and each such Subsidiary is qualified to do business is set forth in **Schedule 4.1**. Each Loan Party has full power and authority to enter into and to perform its obligations under the Loan Documents to which it is a party and, in the case of the Borrowers only, to request and borrow the Term Loans under this Agreement. Each Loan Party and each of their respective Subsidiaries has all licenses, permits and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its Property, except for permits, licenses, and rights the failure of which to have or obtain could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

**4.2** **Due Authorization**. The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party and the consummation by such Loan Party of each of the Transactions (a) have been duly authorized by all necessary corporate or limited liability company action, as the case may be, (b) do not and will not conflict with, result in any violation of or constitute any default under (i) any provision of the Organic Documents of such Loan Party, (ii) any Material Contract binding on or applicable to such Loan Party, or (iii) any law or governmental regulation or court decree or order binding upon or applicable to such Loan Party or any of its Property and (c) will not result in the creation or imposition of any Lien on any of such Loan Party's Property pursuant to the provisions of any agreement binding on or applicable to such Loan Party, or any of its Property, except any such Liens created pursuant to the Security Documents in favor of the Administrative Agent, for the benefit of the Secured Parties, and Permitted Liens.

**4.3** **Subsidiaries**. As of the Closing Date, no Loan Party has any Subsidiaries except those listed on **Schedule 4.3**, which correctly sets forth the name of each Subsidiary, the jurisdiction of its incorporation, formation or organization and the percentage ownership of each Subsidiary which is owned, of record or beneficially, by such Loan Party and/or one or more of its Subsidiaries. Each Loan Party and its Subsidiaries has good and marketable title to all of the Equity Interests or Equity Interests Equivalents it owns in each of its Subsidiaries, free and clear of any Lien (other than any Liens in favor of the Administrative Agent for the benefit of the Secured Parties, Permitted Liens under Section 6.3(j) and inchoate Permitted Liens) and all such Equity Interests and Equity Interests Equivalents have been duly issued and are fully paid and non-assessable. Each Loan Party has full power and authority to own and operate its properties, to carry on its business as now conducted and to enter into and perform the Loan Documents to which it is a party. Each Loan Party has all licenses, permits, and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its properties, except for permits, licenses, and rights the failure of which to have or obtain, individually or in the aggregate, is not, and could not reasonably be expected to result in, a Material Adverse Effect.

**4.4** **Validity of the Agreement**. Each Loan Document is the legal, valid and binding obligation of each Loan Party and is enforceable in accordance with its terms except that, as to enforcement of remedies, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' and secured parties' rights generally or by equitable principles relating to enforceability, regardless of whether considered in equity or at law.

**4.5** **Financial Statements**. The Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein; and (ii) fairly present the financial condition of the Acquired Company as of the dates thereof and their results of operations for the periods covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby (except as otherwise expressly noted therein and, in the case of quarterly financial statements, subject to the absence of footnotes.

**4.6** **Litigation; etc**. Except as set forth on **Schedule 4.6**, there is no action, suit, claim, demand, disputes, cause of action, proceeding, arbitration or investigation at law or equity, or before or by any federal, state, local or other governmental department, commission, court, tribunal, board, bureau, agency or instrumentality, domestic or foreign, pending, or to the Knowledge of the Loan Parties, threatened in writing, against or affecting any Loan Party or any of their Subsidiaries or any of their respective Properties, (i) that involve any Loan Document or the Transactions, or (ii) which if determined adversely could reasonably be expected to result in a Material Adverse Effect.

**4.7** **Compliance with Law**. No Loan Party nor any of their Subsidiaries is (a) in default or breach with respect to any judgment, order, writ, injunction, rule, regulation or decree of any court, governmental authority, department, commission, agency or arbitration board or tribunal or (b) in violation of any law, rule, regulation, ordinance or order relating to its or their respective businesses, in each case of clause (a) and (b) above, the breach, default or violation of which could reasonably be expected to result in a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Loan Party or Subsidiary under any applicable Law. To the Knowledge of the Loan Parties, no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary), sells and products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**4.8** **ERISA Compliance**. Except as set forth on **Schedule 4.8**:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the Knowledge of the Loan Parties, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Loan Party and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made by any Loan Party or ERISA Affiliate with respect to any Pension Plan.

(b) There are no pending or, to the Knowledge of the Loan Parties, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur, (ii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and no Loan Party or ERISA Affiliate knows of any reason that such percentage could reasonably be expected to drop below 60%, (iii) no Loan Party or ERISA Affiliate has incurred any liability to the PBGC except for the payment of premiums, and no premium payments are due and unpaid, (iv) no Loan Party or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, and (v) no Pension Plan has been terminated by its plan administrator or the PBGC, and no fact or circumstance exists that could reasonably be expected to cause the PBGC to institute proceedings to terminate a Pension Plan.

(d) With respect to any Foreign Plan, (i) all employer and employee contributions required by law or by the terms of the Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices, (ii) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance, or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles, and (iii) it has been registered as required and has been maintained in good standing with applicable regulatory authorities.

**4.9** **Title to Assets**. Each Loan Party and each of their respective Subsidiaries holds or will hold good title to all of its Property (including, without limitation, good record title to any owned Real Property in fee simple and good, legal and marketable title to any equipment and other personal Property) in each case, free and clear of all Liens except for Permitted Liens. No Real Property is located in a special flood hazard zone, except as disclosed on **Schedule 4.9**. Each Loan Party and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. Except for Uniform Commercial Code financing statements evidencing Permitted Liens, no financing statement under the Uniform Commercial Code as in effect in any jurisdiction and no other filing which names any Loan Party or any of their Subsidiaries as debtor or which covers or purports to cover any of their respective Property, will be effective and on file in any state or other jurisdiction, and no Loan Party nor any of their respective Subsidiaries will sign or authorize any such financing statement or filing or any security agreement authorizing any secured party thereunder to file any such financing statement or filing other than in respect of Permitted Liens.

**4.10** **Use of Proceeds**. Proceeds of the Term Loans, together with the proceeds of the Closing Equity Contribution and the initial borrowing of Revolving Loans under the Revolving Loan Documents, will be used to fund (i) the purchase price of the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) the Refinancing, (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes.

**4.11** **Governmental Regulation**. No Loan Party, nor any of their respective Subsidiaries, is required to obtain any consent, approval, authorization, permit or license which has not already been obtained from, or effect any filing or registration (other than the filing of the Uniform Commercial Code financing statements) which has not already been effected with, any federal, state or local regulatory authority in connection with the execution and delivery of this Agreement or any other Loan Document, the performance, in accordance with their respective terms, of this Agreement or any other Loan Document, or the consummation of the Transactions.

**4.12** **Margin Stock**. No part of any Term Loans shall be used at any time by any Loan Party or any of their respective Subsidiaries to purchase or carry margin stock (within the meaning of Regulations T, U and X) or to extend credit to others for the purpose of purchasing or carrying any margin stock. No Loan Party, nor any of their respective Subsidiaries, is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying any such margin stock. No part of the proceeds of any Term Loans will be used by any Loan Party or any of their respective Subsidiaries for any purpose which violates, or which is inconsistent with, any regulations promulgated by the Board of Governors of the Federal Reserve System.

**4.13** **Not a Regulated Entity**. No Loan Party, nor any of their respective Subsidiaries, is (a) registered or required to be registered as an "investment company," or an "affiliated person" of, or a "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other applicable Law regarding its authority to incur Indebtedness. The making of the Term Loans, the application of the proceeds and repayment thereof by the Borrowers and the performance by each Loan Party of the transactions contemplated by this Agreement and each of the other Loan Documents will not violate any provision of said Laws, or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

**4.14** **Accuracy of Information**. All written information heretofore furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders for purposes of or in connection with this Agreement or any other Loan Document or any transaction contemplated by this Agreement or any of the other Loan Documents is, and all other such information furnished by or on behalf of such Loan Party to the Administrative Agent is, when considered as a whole, complete and correct in all material respects and did not, when delivered, contain any untrue statement of material fact or omit to state a fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements have been made (after giving effect to all supplements thereto).

**4.15** **Tax Returns; Audits**. Each Loan Party and each of their respective Subsidiaries has filed all material federal, state and local tax returns and other material reports which are required to be filed, and has paid all material taxes as shown on said returns and on all assessments received by any such Person (except for any assessments which are being Properly Contested), to the extent that such taxes have become due or has obtained extensions with respect to the filing of such returns and has made provision in accordance with GAAP for the payment of taxes anticipated to be payable in connection with such returns. Each Loan Party and each of their respective Subsidiaries has made all material required withholding deposits.

**4.16** **Environmental and Safety Regulations**. Each Loan Party and each of their respective Subsidiaries is in compliance with all requirements of applicable federal, state and local Environmental Laws except for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Except as disclosed on **Schedule 4.16**, no Loan Party's or Subsidiary's past or present operations, Real Property or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. The Real Property and its intended use complies with all applicable laws, governmental regulations and the terms of any enforcement action by any federal, state, regional or local governmental agency regarding all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus under such laws, except in each case for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Loan Party or Subsidiary has received any Environmental Notice. No Loan Party or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Property now or previously owned, leased or operated by it.

**4.17** **Payment of Wages; Labor Matters**. Each Loan Party and each of their respective Subsidiaries is in compliance with the Fair Labor Standards Act, as amended, in all material respects, and each Loan Party and each of their respective Subsidiaries has paid all minimum and overtime wages required by law to be paid to their respective employees. There are no strikes, work stoppages, slowdowns or lockouts existing, pending or, to the Knowledge of the Loan Parties, threatened against or involving any Loan Party or any Subsidiary of any Loan Party, except for those that could reasonably be expected to result in a Material Adverse Effect. Except as set forth on **Schedule 4.17**, (a) there is no collective bargaining or similar agreement with any union, labor organization, works council or similar representative covering any employee of any Loan Party or any Subsidiary of any Loan Party, (b) no petition for certification or election of any such representative is existing or pending with respect to any employee of any Loan Party or any Subsidiary of any Loan Party and (c) to the knowledge of any Loan Party, no such representative has sought certification or recognition with respect to any employee of any Loan Party or any Subsidiary of any Loan Party.

**4.18** **Intellectual Property**. Each Loan and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Loan Party's Knowledge, threatened Intellectual Property Claim with respect to any Loan Party, any Subsidiary or any of its Property (including any Intellectual Property). Except as set forth on **Schedule 4.18**, no Loan Party or Subsidiary pays or owes any royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property owned, used or licensed by, or otherwise subject to any interests of, any Loan Party or Subsidiary is set forth on **Schedule 4.18**. To any Loan Party's knowledge, there is no third party Intellectual Property licensed to a Loan Party that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Loan Party, and no licensed third party Intellectual Property is necessary for the Administrative Agent to exercise its rights to enforce the Liens in favor of the Administrative Agent for the benefit of the Secured Parties with respect to the Term Loan Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

**4.19** **Projections**. The projections of the Borrowers, previously furnished to the Administrative Agent on March 22, 2017, have been prepared in the light of the past business history of the Borrowers and their Subsidiaries and on the basis of the assumptions set forth therein, which assumptions are in the opinion of the Borrowers reasonable at the time such budget projections were prepared (it being recognized that budget projections may differ from actual results and such differences may be material and such budget projections are subject to significant uncertainties and contingencies which are beyond the Borrowers' control and no assurance can be given that any particular projection will be realized).

**4.20** **Solvency**. After giving effect to the making of the Term Loans hereunder and the consummation of the other Transactions on the Closing Date, as of the Closing Date, the Loan Parties and their Subsidiaries taken as a whole are Solvent.

**4.21** **No Material Adverse Effect**. Since December 31, 2015, there has occurred no event which is or which could reasonably be expected to result in a Material Adverse Effect.

**4.22** **Brokers' Fees**. Except for fees payable to the Administrative Agent and the Lenders, none of the Loan Parties or any of their respective Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with the transactions contemplated hereby.

**4.23** **Deposit Accounts**. **Schedule 4.23** lists all banks and other financial institutions at which any Loan Party maintains deposit or other accounts as of the Closing Date, and such Schedule correctly identifies the name, address and any other relevant contact information reasonably requested by the Administrative Agent with respect to each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

**4.24** **Hydrofarm Acquisition Agreement**. As of the Closing Date, the Borrowers have delivered to the Administrative Agent a complete and correct copy of the Hydrofarm Acquisition Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other material documents delivered pursuant thereto or in connection therewith). The Hydrofarm Acquisition Agreement is in full force and effect as of the Closing Date and has not been terminated, rescinded or withdrawn. The consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement on the Closing Date will not violate any statute or regulation of the United States (including any securities law) or of any state or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Loan Party or, to any Loan Party's knowledge, any other party to the Hydrofarm Acquisition Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Loan Party is a party or by which any Loan Party is bound or, to any Loan Party's Knowledge, to which any other party to the Transactions is a party or by which any such party is bound. To the Knowledge of the Loan Party's, the Hydrofarm Acquisition Agreement was duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

**4.25** **Material Contracts**. All of the Material Contracts are in full force and effect and no Loan Party, nor any of their respective Subsidiaries, is in default under any Material Contract and, to the Knowledge of the Loan Parties, no other Person that is a party thereto is in default under any of the Material Contracts. There is no basis upon which any party (other than a Loan Party or Subsidiary) could terminate a Material Contract prior to its scheduled termination date.

**4.26** **Valid Liens**. The Security Agreement and each other Security Document delivered pursuant hereto will, upon execution and delivery thereof, be effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, to the secure the Obligations, legal, valid and enforceable Liens on, and security interests in, each Loan Party's right, title and interest in and to the Collateral thereunder, and, subject to the Intercreditor Agreement, (i) when all appropriate filings or recordings are made in the appropriate offices as may be required under applicable law and (ii) upon the taking of possession or control by the Administrative Agent of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Administrative Agent to the extent required by any Security Document), the Liens created by such Security Document will constitute fully perfected Liens on, and security interests in, all right, title and interest of each Loan Party in such Collateral having the priority set forth in the Intercreditor Agreement, in each case subject to no Liens other than the applicable Permitted Liens. All Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Term Loan Priority Collateral are duly perfected, first priority Liens and all Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Revolving Loan Priority Collateral are duly perfected Liens having the priority set forth in the Intercreditor Agreement, in each case, subject only to Permitted Liens that are expressly allowed to have priority over the Liens of the Administrative Agent, for the benefit of the Secured Parties.

**4.27** **Foreign Assets Control Regulations and Anti-Money Laundering.** Each Loan Party and each of their respective Subsidiaries is in compliance in all material respects with all U.S. economic sanctions laws, Executive Orders and implementing regulations as promulgated by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), and all applicable anti-money laundering and counter-terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it. None of the Loan Parties, nor any of their respective Subsidiaries, (i) is a Person designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List") with which a U.S. Person cannot deal with or otherwise engage in business transactions, (ii) is a Person who is otherwise the target of U.S. economic sanctions laws such that a U.S. Person cannot deal or otherwise engage in business transactions with such Person or (iii) is controlled by (including by virtue of such person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any person or entity on the SDN List or a foreign government that is the target of U.S. economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited under U.S. law.

**4.28** **Patriot Act**. The Loan Parties, each of their Subsidiaries and, to their knowledge, each of their Affiliates, are in compliance in all material respects with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department and any other enabling legislation or executive order relating thereto, (b) the Patriot Act and (c) other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations. No part of the proceeds of any Term Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

**4.29** **Surety Obligations**. No Loan Party or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

**4.30** **Trade Relations**. There exists no actual or threatened termination, limitation or modification of any business relationship between any Loan Party or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Loan Party or Subsidiary. There exists no condition or circumstance that could reasonably be expected to impair the ability of any Loan Party or Subsidiary to conduct its business at any time hereafter in substantially the same manner as conducted on the Closing Date.

**4.31** **Holdings**. Holdings (a) has not engaged in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents and the Related Agreements, (b) does not hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), and (c) has no liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

**4.32** **Revolving Loan Documents**. The Revolving Loan Documents dated as of the date hereof are being executed and delivered concurrently with the execution and delivery of this Agreement, true, correct and complete copies of which have been delivered to the Administrative Agent. The transactions contemplated by the Revolving Loan Documents comply in all material respects with all applicable Laws.

**4.33** **Insurance**. The Loan Parties and their Subsidiaries maintain insurance policies with respect to their respective properties and business, in each case in compliance with Section 5.7.

**4.34** **SBA Matters**. Each of Holdings and each Borrower acknowledges that Brightwood Capital SBIC I, LP is, and certain other Lenders may from time to time be or become, a Small Business Investment Company (as defined in the SBIA), subject to the rules and regulations contained in and promulgated under the SBIA. As of the Closing Date, each of Holdings and each Borrower, together with its "affiliates" (for purposes of this paragraph only, as that term is defined in Title 13, Code of Federal Regulations, §121.103), is a Small Business Concern (as defined in the SBIA). Neither Holdings nor any of its Subsidiaries presently engages in, and shall not hereafter engage in, any activities for which a Small Business Concern is prohibited from engaging in under the SBIA, nor shall any such Person use directly or indirectly the proceeds of the Term Loans for any purpose for which a Small Business Investment Company is prohibited from providing funds by the SBIA. The representations made by Holdings and each Borrower in the SBA forms delivered on the Closing Date pursuant to Section 5.13 (or such later date of delivery) shall be deemed to be representations made by Holdings and each Borrower as of the Closing Date (or such later date) under this Section 4.34.

**ARTICLE V**
**CERTAIN AFFIRMATIVE COVENANTS**

Each of the Loan Parties agrees with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loan shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**5.1** **Financial Information; etc**. The Borrowers will furnish to the Administrative Agent copies of the following financial statements, reports and information:

(a) as soon as available and in any event on or prior to June 30, 2017, a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of the Acquired Company for the fiscal year ended December 31, 2016, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of the Acquired Company in accordance with GAAP for such period;

(b) as soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrowers (commencing with the fiscal year ending December 31, 2017), a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Holdings, the Borrowers and their Subsidiaries for such fiscal year, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit other than solely with respect to, or resulting solely from, an upcoming Maturity Date under the Term Loans, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period;

(c) as soon as available and in any event within thirty (30) days after the end of each fiscal quarterly period of each fiscal year of the Borrowers (or, for with respect to the last such quarterly period ending in any fiscal year, forty five (45) days after the end of such quarterly period), commencing with the fiscal quarter ended March 31, 2017, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period, (subject to year-end adjustments and the lack of GAAP footnotes);

(d) as soon as available and in any event within thirty (30) days after the end of each of the first two fiscal months of each fiscal quarter of the Borrowers, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year;

(e) with each financial statement required by Section 5.1(b) and Section 5.1(c) (other than the last fiscal quarter of such year) to be delivered to the Administrative Agent, a Compliance Certificate signed by a Responsible Officer of the Borrower Agent;

(f) concurrently with delivery of financial statements under clauses (a), (b) and (c) above, a management report, in reasonable detail, signed by the chief financial officer of the Borrower Agent, describing the operations and financial condition of the Loan Parties and their Subsidiaries for the fiscal quarter and the portion of the fiscal year then ended (or for the fiscal year then ended in the case of annual financial statements), together with a discussion comparing such results as compared to the applicable figures for such period set forth in the projections most recently delivered pursuant to clause (k) below;

(g) promptly after any Borrower knows or has reason to know that any Default or Event of Default has occurred and is continuing, any "Default" or "Event of Default" under and as defined in any Revolving Loan Documents has occurred and is continuing or any Material Adverse Effect has occurred, but in any event not later than five (5) Business Days after any Responsible Officer of any Borrower becomes aware thereof, a notice from the Borrower Agent of such Default, Event of Default, "Default", "Event of Default" or Material Adverse Effect describing the same in reasonable detail and a description of the action that the Borrowers have taken and propose to take with respect thereto;

(h) promptly after a Loan Party's obtaining knowledge thereof, notice to the Administrative Agent of any of the following that affects a Loan Party: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could reasonably be expected to have a Material Adverse Effect, (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract, (c) any default under or termination of a Material Contract, (d) any judgment in an amount exceeding $500,000, (e) the assertion of any Intellectual Property Claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (f) any violation or asserted violation of any applicable Law (including ERISA, the Fair Labor Standards Act of 1938, or any Environmental Laws), if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (g) any Environmental Release by a Loan Party or on any Real Property owned, leased or occupied by a Loan Party, or receipt of any Environmental Notice, (h) the occurrence of any ERISA Event, (i) the discharge of or any withdrawal or resignation by Borrowers' independent accountants, or (j) any opening of a new office or place of business, at least thirty (30) days prior to such opening.

(i) promptly after receipt thereof, but in any event not later than five (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, all final letters and reports to management of a Borrower prepared by its independent certified public accountants and the responses of the management of such Borrower thereto;

(j) promptly following the commencement of any litigation, suit, administrative proceeding or arbitration relating to any Borrower or any of its Properties which if adversely determined could reasonably be expected to result in a Material Adverse Effect or otherwise relating in any way to the transactions contemplated by this Agreement, but in any event not later than (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, a notice thereof from the Borrower Agent describing the allegations of such litigation, suit, administrative proceeding or arbitration and the Borrowers' response thereto;

(k) not later than thirty (30) days after the start of each fiscal year of the Borrowers, projections of Holdings', the Borrowers' and their Subsidiaries' consolidated balance sheets, results of operations, cash flow and "Availability" (as defined in the Revolving Loan Documents) for the next fiscal year, fiscal month by fiscal month, together with a statement of all underlying assumptions, and promptly following the preparation thereof, updates to any of the foregoing from time to time prepared by management of any Loan Party;

(l) promptly after receipt thereof, but in any event not later than five (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement (including, without limitation, the Revolving Loan Documents) and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request;

(m) promptly after the sending or filing thereof, any certifications or other documents (including any exhibits or other backup thereto) regarding the post-closing settlement or other "true-up" of consideration paid under the Acquisition Documents;

(n) at the Administrative Agent's request, a listing of each Loan Party's trade payables, specifying the trade creditor and balance due, and a detailed trade payable aging, all in form satisfactory to the Administrative Agent;

(o) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Loan Party has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Loan Party files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by a Loan Party to the public concerning material changes to or developments in the business of such Loan Party;

(p) promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(q) promptly upon any officer of any Loan Party obtaining knowledge that any Loan Party has either (i) registered or applied to register any Intellectual Property with any Governmental Authority or (ii) acquired any interest in Real Property (including leasehold interests in Real Property), a certificate of a Responsible Officer describing such Intellectual Property and/or such Real Property in such detail as the Administrative Agent shall reasonably require;

(r) promptly upon the completion thereof, any third-party audit or other review of the Closing Date balance sheet of the Loan Parties;

(s) as soon as available, and in any event within 120 days after the close of each fiscal year of the Borrowers, financial statements for each Guarantor, in form and substance satisfactory to the Administrative Agent;

(t) upon request, provide the Administrative Agent with copies of all existing agreements, and promptly after execution thereof provide the Administrative Agent with copies of all future agreements, between a Loan Party and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral;

(u) from time to time (but no more frequently than one time per fiscal quarter) upon the reasonable request of Administrative Agent, the Borrowers shall make appropriate members of management available at reasonable times during normal business hours for a telephone conference to discuss with Administrative Agent and the Lenders the financial condition and operations of the Borrowers and their Subsidiaries; and

(v) such other information with respect to the financial condition and operations of the Borrowers and their Subsidiaries as the Administrative Agent or any Lender may reasonably request.

**5.2 Maintenance of Existence and Licenses; etc**.

(a) Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain and preserve its existence, and qualification and good standing in all states and jurisdictions in which such qualification and good standing are required in order to conduct its business and own its property as conducted and owned in such states, except, other than with respect Holdings or a Borrower, where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) Each Loan Party shall, and shall cause each of its Subsidiaries to, (i) keep each material License affecting any Collateral (including the manufacture, distribution or disposition of inventory) or any other material Property of the Loan Parties and Subsidiaries in full force and effect, (ii) promptly notify the Administrative Agent of any proposed modification to any such material License, or entry into any new material License, in each case at least thirty (30) days prior to its effective date, (iii) pay all royalties and other amounts when due under any material License, and (iv) notify the Administrative Agent of any default or breach asserted by any Person to have occurred under any material License.

**5.3 Maintenance of Properties**. Each Loan Party will, and shall cause each of its Subsidiaries to, maintain or cause to be maintained in the ordinary course of business in good repair, working order and condition (reasonable wear and tear excepted) all material Properties used in their respective businesses (whether owned or held under lease), and from time to time make or cause to be made all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, except to the extent the failure to maintain such Properties could not reasonably be expected to result in a Material Adverse Effect.

**5.4** **Payment of Liabilities**. Each Loan Party shall, and shall cause each of its Subsidiaries to, pay and discharge as the same may become due and payable, all taxes, assessments and other governmental charges or levies against or on any of its Property, in each case, prior to the date on which they become delinquent or penalties attach, as well as all other lawful claims of any kind which, if unpaid, might become a Lien upon any of its Property; provided, however, that the foregoing shall not require such Loan Party or such Subsidiary to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be Properly Contested, but (with respect to claims that are not Taxes, assessments and other governmental charges or levies) only so long as such claim does not become a Lien on any assets of such Loan Party or such Subsidiary.

**5.5** **Compliance with Laws**. Each Loan Party shall, and shall cause each of its Subsidiaries to, carry on its business activities in substantial compliance with all applicable federal or state laws and all applicable rules, regulations and orders of all governmental bodies and offices having power to regulate or supervise its business activities, including all applicable environmental, pollution control, health and safety statutes, laws and regulations, except in each case where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain all material rights, liens, permits, certificates of compliance or grants of authority necessary for the conduct of its business, except where the failure to maintain could not reasonably be expected to result in a Material Adverse Effect. The Real Property and its intended use will comply at all times with all applicable laws, governmental regulations and the terms of any enforcement action now or hereafter commenced by any federal, state, regional or local governmental agency, including all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended from time to time), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus, except where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, institute and maintain policies and procedures (satisfactory to the Administrative Agent) designed to ensure that no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary), sells any products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**5.6** **Books and Records; Inspection Rights; etc**. Each Loan Party shall, and shall cause each of its Subsidiaries to, keep (a) from and after July 1, 2017, a system of accounting administered in accordance with GAAP and (b) books and records reflecting all of its business affairs and transactions in accordance with GAAP. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit the Administrative Agent (accompanied by any Lender) or any representative thereof, at reasonable times and intervals, during normal business hours and upon reasonable notice to the Borrower Agent, to visit the offices of such Loan Party or such Subsidiary, discuss financial matters with Responsible Officers of such Loan Party or such Subsidiary and with its independent public accountants (and by this provision each Loan Party authorizes its and its Subsidiaries' independent public accountants to participate in such discussions) and examine any of the such Loan Party's or such Subsidiary's books and other company records in a non-disruptive manner; provided, that unless an Event of Default has occurred and is continuing there shall be no more than one such inspection or visit per year; provided, further, that, unless an Event of Default has occurred and is continuing, a representative of the Borrower Agent shall be given the opportunity to be present during any such inspection or discussion. Notwithstanding anything to the contrary in this Section 5.6, no Loan Party, nor any of their respective Subsidiaries, will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter, or provide information, that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure is prohibited by Law, (iii) is subject to attorney-client or similar privilege or constitutes attorney work product or (iv) the disclosure of which is restricted by binding agreements with a third party that is not a controlled Affiliate of any Loan Party.

**5.7** **Insurance**. Subject to the Intercreditor Agreement:

(a) Each Loan Party shall maintain insurance with respect to the Collateral, covering casualty, hazard, theft, malicious mischief, flood and other risks, in amounts, with endorsements and with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) reasonably satisfactory to the Administrative Agent; provided, that if Real Property secures any Obligations, flood hazard diligence, documentation and insurance shall comply with the Flood Disaster Protection Act or otherwise shall be satisfactory to all Lenders. All proceeds under each policy shall be payable to the Administrative Agent. From time to time upon request, the Loan Parties shall deliver to the Administrative Agent certified copies of its insurance policies and updated flood plain searches. Unless the Administrative Agent shall agree otherwise, each policy shall include endorsements in form and substance reasonably satisfactory to it (i) showing the Administrative Agent as loss payee (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies); (ii) requiring thirty (30) days prior written notice to the Administrative Agent in the event of cancellation of the policy for any reason whatsoever; and (iii) specifying that the interest of the Administrative Agent shall not be impaired or invalidated by any act or neglect of any Loan Party or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Loan Party fails to provide and pay for any insurance, the Administrative Agent may, at its option, but shall not be required to, procure the insurance and charge the Loan Parties therefor. Each Loan Party agrees to deliver to the Administrative, promptly as rendered, copies of all reports made to insurance companies (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies). While no Event of Default exists, the Loan Parties may settle, adjust or compromise any insurance claim, as long as the proceeds (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies) are delivered to the Administrative, subject to Loan Party reinvestment rights in accordance with this Agreement. If an Event of Default exists, only the Administrative Agent shall be authorized to settle, adjust and compromise such claims (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies).

(b) Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance or kidnap, ransom and terrorism policies) and any awards arising from condemnation of any Collateral shall be paid to the Administrative Agent upon receipt thereof; provided that, so long as no Event of Default exists, the Loan Parties shall have the right to elect to reinvest such proceeds to the extent provided in Section 2.1(g)(4). Subject to the Intercreditor Agreement, any such proceeds or awards that relate to any Collateral and not so reinvested shall be applied to payment of the Term Loans in accordance with Section 2.1(g)(4).

(c) If at any time the improvements on a Real Property are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" with respect to which flood insurance has been made available under Flood Insurance Laws, then the applicable Loan Party (i) has obtained and will maintain, with financially sound and reputable insurance companies (except to the extent that any insurance company insuring the Real Property of such Loan Party ceases to be financially sound and reputable after the Closing Date, in which case, Holdings or such Loan Party shall promptly replace such insurance company with a financially sound and reputable insurance company), such flood insurance in such reasonable total amount as the Administrative Agent and the Lenders may from time to time reasonably require, and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) promptly upon request of the Administrative Agent or any Lender, will deliver to the Administrative Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Administrative Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

(d) The Loan Parties shall maintain insurance with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) satisfactory to the Administrative Agent, (a) with respect to the Properties and business of the Loan Parties and Subsidiaries of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance), in such amounts, and with such coverages and deductibles as are customary for companies similarly situated, and (b) business interruption insurance in an amount not less than $4,000,000, with deductibles and subject to an endorsement or insurance assignment reasonably satisfactory to the Administrative Agent.

**5.8** **ERISA**. Each Loan Party agrees that all assumptions and methods used to determine the actuarial valuation of employee benefits, both vested and unvested, under any Plan, and each such Plan, will comply in all material respects with ERISA and other applicable laws.

(a) No Loan Party will at any time permit any Plan to:

(1) engage in any "prohibited transaction" for which an exemption is not available as such term is defined in Section 4975 of the Code or in Section 406 of ERISA;

(2) fail to satisfy the minimum funding standard as such term is defined in Section 302 of ERISA, whether or not waived;

(3) be terminated under circumstances which are likely to result in the imposition of a lien on the property of any Loan Party or any of their respective Subsidiaries pursuant to Section 4068 of ERISA, if and to the extent such termination is within the control of a Loan Party or any of the Subsidiaries; or

(4) be operated or administered in a manner which is not in compliance with ERISA or any applicable provisions of the Code;

if the event or condition described in clause (1), (2), (3) or (4) above could reasonably be expected to subject any Loan Party or any of their respective Subsidiaries to a Material Adverse Effect.

(b) Upon the request of the Administrative Agent or any Lender, the Borrower Agent will furnish a copy of the annual report of each Plan (Form 5500) required to be filed with the IRS. Copies of such annual reports shall be delivered no later than thirty (30) days after the date the copy is requested.

**5.9 Additional Subsidiary Guarantors**. The Borrower Agent shall notify the Administrative Agent within ten (10) Business Days after it makes an Investment in any Subsidiary or, within ten (10) Business Days after it creates an entity which is or becomes a Subsidiary, and promptly thereafter (and in any event within thirty (30) days), cause such Person (other than a Foreign Subsidiary) to (i) become a Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty or such other document as the Administrative Agent shall reasonably deem appropriate for such purpose, (ii) take all such action and execute such agreements, documents and instruments, including execution and delivery of a counterpart signature page to the Security Agreement and execution and delivery of such other Security Documents, that may be necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected security interest and Lien in any Collateral owned by such new Subsidiary (having the priority set forth in the Intercreditor Agreement) and (iii) deliver to the Administrative Agent documents of the types referred to in Section 3.1(a)(8) and, if reasonably requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clauses (i) and (ii) of this subsection), all in form, content and scope reasonably satisfactory to the Administrative Agent. Notwithstanding anything to the contrary set forth herein, no Subsidiary of Holdings may guarantee (or be a borrower under) the Revolving Loan Facility that does not also guarantee the Obligations (or is a Borrower hereunder).

**5.10 Landlord Agreements**. The Loan Parties shall use commercially reasonable efforts to obtain a landlord agreement or bailee or mortgagee waiver, as applicable, within sixty (60) days after the Closing Date from (a) the lessor of each Loan Party's chief executive office and each other location where any books and records of a Loan Party are held or maintained and (b) from the lessor of each leased property, bailee in possession of any Collateral or mortgagee of any owned property with respect to any location where Collateral with an aggregate fair market value in excess of $350,000 is stored or located.

**5.11 Cash Management Systems**. Within one-hundred twenty (120) days after the Closing Date, unless waived or extended by the Administrative Agent in its Permitted Discretion, each Loan Party shall enter into, and cause each depository, securities intermediary or commodities intermediary to enter into, control agreements subject to the provisions in the Security Agreement.

**5.12 Further Assurances**. Promptly upon reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request from time to time in order (i) to carry out the purposes of this Agreement or any other Loan Documents, (ii) to subject to the Liens in the Collateral granted by any of the Security Documents (having the priority set forth in the Intercreditor Agreement) any of the Collateral and (iii) to perfect and maintain the validity, effectiveness and priority of the Liens granted by any of the Security Documents and the Liens intended to be created thereby (in each case, subject to the terms of the Intercreditor Agreement). Notwithstanding anything to the contrary in this Agreement or any other Loan Document, so long as any Revolving Loan Obligations are outstanding, the actions and deliverables required by this Section 5.12 with respect to the Administrative Agent's security interest in any Revolving Loan Priority Collateral shall be subject to the terms of the Intercreditor Agreement and required only to the extent required under the Revolving Loan Documents. Notwithstanding anything to the contrary set forth herein or in the Security Agreement, the Borrowers shall not be required to execute and deliver a Mortgage in respect of the Colorado Property prior to the date that is 180 days following the Closing Date.

**5.13** **SBA Matters**. Each Loan Party will, and will cause each of its Subsidiaries to: (a) upon the request of any Lender that is a Small Business Investment Company (as defined in the SBIA), repay such Lender's Term Loan in full (including the applicable prepayment fee), in immediately available funds, in the event that any Borrower or any other Loan Party changes the nature of its business within one year after the Closing Date (or, if applicable, any later borrowing date hereunder) in a manner that would cause such Lender to have provided funds any Borrower or any other Loan Party pursuant to this Agreement or any other Loan Document in violation of 13 C.F.R. §§ 107.700-107.760 (as amended from time to time); (b) upon the request of any Lender that is a Small Business Investment Company or the SBA, (i) submit to such Lender and/or the SBA timely and accurate compliance reports at such times and in such form and containing such information as the SBA may determine to be necessary to enable the SBA to ascertain whether each Borrower and each other Loan Party have complied or are complying with 13 C.F.R. Part 112 ("Part 112"), (ii) submit to such Lender such information as may be necessary to enable such Lender to meet its reporting requirements under Part 112, and (iii) permit the SBA to have access with advance written notice and during normal business hours to such of its books, records, accounts and other sources of information, and its facilities as may be pertinent to ascertain compliance with Part 112. Where any information required of any Borrower or any other Loan Party is in the exclusive possession of any other agency, institution or Person and such agency, institution or Person shall fail or refuse to furnish this information, each Borrower and each other Loan Party shall so certify in its report and shall set forth what efforts it has made to obtain this information; and (c) upon any Lender's request, take any and all actions required to permit any Lender to comply with SBIA and applicable law, in the event such Lender is restricted or prohibited from holding Term Loans or Qualified Equity Interests in any Loan Party or any Affiliate thereof as a result of any noncompliance thereunder.

**5.14** **OFAC; Patriot Act**. The Loan Parties shall, and shall cause their Subsidiaries to, comply with the laws, regulations and executive orders referred to in Section 4.27 and Section 4.28 (subject to any materiality qualifiers set forth in such Section 4.27 and Section 4.28).

**5.15** **Senior Credit Enhancements**. If the Revolving Loan Agent or any Revolving Loan Lender under the Revolving Loan Documents receives any additional guaranty, Collateral or other credit enhancement after the Closing Date, each Loan Party shall cause the same to be granted to the Administrative Agent and the Lenders, subject to the terms of the Intercreditor Agreement.

## ARTICLE VI
## FINANCIAL COVENANTS AND NEGATIVE COVENANTS

The Loan Parties agree with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loans shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**6.1** **Financial Covenants**.

(a) Fixed Charge Coverage Ratio. The Borrowers shall not permit the Fixed Charge Coverage Ratio for the date set forth in the table below for the Test Period ending on such date to be less than the minimum ratio set forth opposite such date:

| Fiscal Quarter Ending | Minimum Fixed Charge Coverage Ratio |
|---|---|
| June 30, 2017 | 1.25:1.00 |
| September 30, 2017 | 1.25:1.00 |
| December 31, 2017 | 1.25:1.00 |
| March 31, 2018 | 1.25:1.00 |
| June 30, 2018 | 1.50:1.00 |
| September 30, 2018 | 1.50:1.00 |

| Fiscal Quarter Ending | Minimum Fixed Charge Coverage Ratio |
|---|---|
| December 31, 2018 | 1.50:1.00 |
| March 31, 2019 | 1.50:1.00 |
| June 30, 2019 | 1.75:1.00 |
| September 30, 2019 | 1.75:1.00 |
| December 31, 2019 | 1.75:1.00 |
| March 31, 2020 | 1.75:1.00 |
| June 30, 2020 | 1.75:1.00 |
| September 30, 2020 | 1.75:1.00 |
| December 31, 2020 | 1.75:1.00 |
| March 31, 2021 | 1.75:1.00 |
| June 30, 2021 | 1.75:1.00 |
| September 30, 2021 | 1.75:1.00 |
| December 31, 2021<br>and the last day of each fiscal quarter thereafter | 2.00:1.00 |

(b) Total Net Leverage Ratio. The Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Fiscal Quarter Ending | Maximum Total Net Leverage Ratio |
|---|---|
| June 30, 2017 | 5.50:1.00 |
| September 30, 2017 | 5.50:1.00 |
| December 31, 2017 | 5.25:1.00 |
| March 31, 2018 | 5.25:1.00 |
| June 30, 2018 | 5.00:1.00 |
| September 30, 2018 | 4.75:1.00 |
| December 31, 2018 | 4.75:1.00 |

| Fiscal Quarter Ending | Maximum Total Net Leverage Ratio |
|---|---|
| March 31, 2019 | 4.75:1.00 |
| June 30, 2019 | 4.50:1.00 |
| September 30, 2019 | 4.50:1.00 |
| December 31, 2019 | 4.00:1.00 |
| March 31, 2020 | 4.00:1.00 |
| June 30, 2020 | 4.00:1.00 |
| September 30, 2020 | 4.00:1.00 |
| December 31, 2020<br>and the last day of each fiscal quarter thereafter | 3.75:1.00 |

(c) Equity Cure Contributions. For purposes of determining compliance with the Financial Covenants as of the last day of any fiscal quarter of the Borrower, any cash equity contribution to the Borrower by Holdings (to the extent funded by Holdings from the proceeds of the issuance of Qualified Equity Interests or Permitted Affiliate Sub Debt by Holdings) after the last day of any fiscal quarter and on or prior to the day that is fifteen (15) Business Days after the day on which financial statements are required to be delivered for such fiscal quarter (each an "Equity Cure Contribution") will, at the request of the Borrower, be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants for the applicable fiscal quarter and any applicable subsequent periods that include such fiscal quarter; provided, that (i) in each four (4) fiscal quarter period, there shall be a period of at least two (2) fiscal quarters in which no Equity Cure Contribution is made and only four (4) Equity Cure Contributions may be made during the term of this Agreement, (ii) the amount of any Equity Cure Contributions shall not exceed the amount required to cause the Borrower to be in compliance with the Financial Covenants, (iii) all Equity Cure Contributions will be used solely for curing the Financial Covenants and will be disregarded for purposes of determining the availability of any baskets, pricing or step-downs with respect to other provisions contained in the Loan Documents, (iv) the proceeds of each Equity Cure Contribution shall have been contributed to the Borrower as a cash common equity contribution or as Permitted Affiliate Sub Debt and shall be promptly used by the Borrower to prepay the Term Loans pursuant to Section 2.1(g)(6) and (e) there shall be no pro forma or other reduction of Total Net Debt (including by way of cash netting) using the proceeds of any Equity Cure Contribution for purposes of determining compliance for the fiscal quarter (and subsequent quarters in the applicable Test Period) in respect of which such Equity Cure Contribution was made.

**6.2 Limitations on Indebtedness**. The Loan Parties shall not, and shall not permit any of their Subsidiaries to, create, assume, incur, issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any Indebtedness, except the following (the "Permitted Indebtedness"):

(a) the Obligations;

(b) Subordinated Indebtedness in an aggregate amount outstanding (together with any Refinancing Debt in respect thereof) at any time not in excess of $20,000,000; provided, that, in the event that such Subordinated Indebtedness is Permitted Affiliate Sub Debt, subject to the Intercreditor Agreement, 100% of the proceeds thereof are immediately applied by Holdings to make a Specified Equity Contribution in the Borrower Agent in accordance with Section 6.1(c);

(c) Permitted Purchase Money Debt;

(d) Indebtedness (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations) set forth on **Schedule 6.2** (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations), but only to the extent outstanding on the Closing Date and not satisfied with proceeds of the Term Loans;

(e) Indebtedness that is in existence when a Person becomes a Subsidiary or that is secured by an asset when acquired by a Loan Party or Subsidiary, as long as (i) such Indebtedness was not incurred in contemplation of such Person becoming a Subsidiary or such acquisition, and (i) the aggregate amount of Indebtedness outstanding under this clause (e) (together with any Refinancing Debt in respect thereof) does not exceed $1,000,000 in the aggregate at any time;

(f) Permitted Contingent Obligations;

(g) Revolving Loan Obligations so long as such obligations do not exceed the Revolving Loan Maximum Amount, subject to the limitations set forth in the Intercreditor Agreement;

(h) Refinancing Debt as long as each Refinancing Condition is satisfied;

(i) intercompany loans by a Borrower or a Wholly Owned Loan Party to a Borrower or a Wholly Owned Loan Party;

(j) Indebtedness in respect of appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances, in each case, issued for the account of any Loan Party in the Ordinary Course of Business, including guarantees or obligations of any Loan Party with respect to letters of credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(k) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business;

(l) Subordinated Indebtedness of any Loan Party to repurchase Equity Interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director, so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this clause (l) does not exceed $1,000,000 in the aggregate at any time;

(m) Indebtedness consisting of accrued and unpaid management fees permitted under the Management Agreements;

(n) Indebtedness consisting of any final judgment rendered against any Loan Party that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constituting an Event of Default in accordance with Section 7.1(g) hereof;

(o) Indebtedness that is not included in any of the preceding clauses of this Section 6.2, is not secured by a Lien and does not exceed $1,000,000 in the aggregate at any time outstanding; and

(p) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (o) above.

**6.3 Liens**. The Loan Parties shall not, and will cause their Subsidiaries not to, create, incur, assume or permit to exist or to be created or assumed any Lien on any of their respective Property, whether now owned or hereafter acquired, except the following (the "Permitted Liens"):

(a) Liens in favor of the Administrative Agent for the benefit of the Secured Parties or otherwise to secure the Obligations;

(b) Purchase Money Liens securing Permitted Purchase Money Debt;

(c) Liens for Taxes not yet due or being Properly Contested;

(d) statutory Liens (other than Liens for Taxes or imposed under ERISA) arising in the Ordinary Course of Business, but only if (i) payment of the obligations secured thereby is not yet due or is being Properly Contested, and (ii) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Loan Party or Subsidiary;

(e) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and are required or provided by law;

(f) Liens arising by virtue of a judgment or judicial order against any Loan Party or Subsidiary, or any Property of a Loan Party or Subsidiary, as long as such Liens are (i) in existence for less than 20 consecutive days or being Properly Contested, and (ii) at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties;

(g) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Property, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business;

(h) normal and customary rights of setoff upon deposits in favor of depository institutions, and Liens of a collecting bank on Payment Items in the course of collection;

(i) Liens on assets (other than accounts receivable and inventory) acquired in a Permitted Acquisition, securing Indebtedness permitted by Section 6.2(e);

(j) Liens securing Indebtedness under the Revolving Loan Documents permitted by Section 6.2(g) to the extent such Liens are subject to the Intercreditor Agreement

(k) Liens existing on the Closing Date and set forth on **Schedule 6.3**;

(l) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness;

(m) licenses or sublicenses of Intellectual Property granted by any Loan Party in the Ordinary Course of Business;

(n) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods;

(o) Liens for the benefit of a seller attaching solely to cash earnest money deposits in connection with a letter of intent or acquisition agreement with respect to a Permitted Acquisition;

(p) Liens on an insurance policy of any Loan Party and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Indebtedness permitted to finance the premiums of such policies; and

(q) statutory Liens arising in the Ordinary Course of Business that are not related to Indebtedness for borrowed money so long as (x) such Liens are subject to a landlord agreement or bailee or mortgagee waiver, as applicable, in form and substance acceptable to the Administrative Agent and (y) such Liens are similarly permitted under the Revolving Loan Agreement pursuant to clause (f) of Section 10.2.2 of the Revolving Loan Agreement.

**6.4** **Sales of Assets**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Asset Dispositions, except for:

(a) a sale or lease of inventory in the Ordinary Course of Business;

(b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from a Loan Party's or Subsidiary's default;

(c) a lease or sublease of Real Property in the Ordinary Course of Business;

(d) a license or sublicense of Intellectual Property (including, without limitation, any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business;

(e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term;

(f) Asset Dispositions of cash equivalents in the Ordinary Course of Business;

(g) Asset Dispositions of Property to a Borrower or any Wholly Owned Loan Party (other than Holdings);

(h) Restricted Payments by the Loan Parties and their Subsidiaries, in each case solely to the extent expressly permitted by Section 6.10;

(i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due;

(j) Asset Dispositions approved in writing by the Administrative Agent and Required Lenders;

(k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days (and if so committed to be replaced, actually replaced no later than ninety (90) days after the end of such 180 day period) with another asset useful in the Loan Parties' business (so long as the Administrative Agent has a first priority and perfected Lien on any newly-acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than accounts receivable or inventory) that, in the aggregate during any 12 fiscal month period, has a fair market or book value (whichever is more) of $1,000,000 or less, or (iii) Asset Dispositions of Property (other than accounts receivable or inventory) that is obsolete or no longer used or useful in the business or inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business;

(l) replacement of equipment that is worn, damaged or obsolete with equipment of like function and value, if the replacement equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Administrative Agent) and is free of Liens other than Permitted Liens; or

(m) a sale or disposition of the Colorado Property so long as (i) no Default or Event of Default exists or results therefrom, (ii) 100% of the consideration received from such sale or disposition is in the form of cash, (iii) the purchase price of such sale or disposition is for at least fair market value, and (iv) the Net Cash Proceeds of such sale or other disposition are applied to make a prepayment of the Term Loans in accordance with Section 2.01(g)(4).

**6.5 Liquidations, Mergers and Consolidations**. Except as permitted pursuant to Sections 6.6 and 6.8 and except for the merger, consolidation or amalgamation of any Loan Party or any Subsidiary of any Loan Party into a Borrower or any Wholly Owned Loan Party, the Loan Parties shall not, and will cause their Subsidiaries not to, liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, or consolidate with or merge into any other Person, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets or less than all the Equity Interests of a Borrower or any of their Subsidiaries; provided that any Subsidiary of a Borrower may liquidate or dissolve or change its legal form if the Borrowers determine in good faith that such action is in the best interests of the Borrowers and their Subsidiaries and is not materially disadvantageous to the Lenders so long as (A) no Event of Default shall result therefrom and (B) the surviving Person or the Person who receives the assets of such dissolving or liquidated Subsidiary that is Loan Party shall be a Borrower or a Wholly Owned Loan Party; provided, further, that if a Borrower is a party to any such transaction, a Borrower shall be the surviving entity of such transaction.

**6.6** **Investments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make or permit to exist any Investment, except that, so long as no Event of Default then exists or is caused thereby, the Borrowers and their Subsidiaries may make Permitted Investments.

**6.7** **Transactions with Affiliates**. The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any transaction (including the purchase, sale or exchange of Property, the rendering of any service, the making of any Investment in an Affiliate or the repayment of any Indebtedness owed to an Affiliate) with an Affiliate (other than any such transactions among the Loan Parties), except for (i) any agreement, instrument or arrangement as in effect as of the Closing Date and set forth on **Schedule 6.7**, or any amendment thereto (so long as any such amendment is not adverse to the Lenders in any material respect as compared to the applicable agreement as in effect on the Closing Date) and (ii) any material transaction in the ordinary course of business and pursuant to the reasonable requirements of the Loan Parties and their Subsidiaries business, upon terms which are fair and reasonable to the Loan Parties and their Subsidiaries and which are not less favorable to the Loan Parties and their Subsidiaries than would be obtained in a comparable transaction with a Person not an Affiliate; provided, that, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the Borrowers may pay Permitted Management Fees.

**6.8** **Acquisitions**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Acquisitions, except that the Borrowers and their Subsidiaries may make Permitted Acquisitions.

**6.9** **Amendment and Waiver**.

(a) The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any amendment of, or agree to or accept or consent to any waiver of any of the provisions of its Organic Documents in any manner that is adverse to the Administrative Agent or the Lenders, other than any amendment of any Organic Documents of Holdings necessary to facilitate the issuance of Equity Interests of Holdings so long as such amendment is not adverse to the Administrative Agent or the Lenders.

(b) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Revolving Loan Obligations (including, without limitation, the Revolving Loan Documents) except to the extent permitted by the Intercreditor Agreement.

(c) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any Management Agreement in any manner that is adverse to the Administrative Agent or the Lenders (it being understood that any amendment or modification to any Management Agreement that has the effect of either (x) increasing the fees or other amounts payable to any Manager thereunder or (y) modifying the subordination provisions set forth therein shall, in any such event, be adverse to the Administrative Agent or the Lenders).

(d) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Hydrofarm Acquisition (including the Hydrofarm Acquisition Agreement) in any manner that (i) is contrary to the terms of this Agreement or any other Loan Document, or (ii) could reasonably be expected to result in a Material Adverse Effect or otherwise be materially adverse to the rights, interests or privileges of the Administrative Agent or Lenders or their ability to enforce the Loan Documents.

(e) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Permitted Affiliate Sub Debt.

(f) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Subordinated Indebtedness (other that Permitted Affiliate Sub Debt which is governed by clause (e) above) if the effect thereof (i) increases the principal balance of such Subordinated Indebtedness, or increases any required payment of principal or interest, (ii) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions, (iii) shortens the final maturity date or otherwise accelerates amortization, (iv) increases the interest rate, (v) increases or adds any fees or charges, (vi) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Loan Party or Subsidiary, or that is otherwise materially adverse to any Loan Party, any Subsidiary or the Lenders, or (vii) results in the Obligations not being fully benefited by the subordination provisions thereof.

**6.10** **Restricted Payments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Restricted Payment, except that the Loan Parties and their Subsidiaries may:

(a) make Tax Distributions to Holdings (and, from the proceeds thereof, Holdings may make Tax Distributions to the holders of its Equity Interests), in each case, in the Ordinary Course of Business; and

(b) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) pay Permitted Management Fees in an amount not to exceed $850,000 per fiscal year; (ii) pay (or make Restricted Payments to allow Holdings or any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests or Equity Interests Equivalents of Holdings (or of any direct or indirect parent thereof) held by any future, present or former employee, director, consultant or distributor (or any spouses, former spouses, successors, executors, administrators, heirs, legatees or distributees of any of the foregoing) of a Borrower or any of their Subsidiaries upon the death, disability, retirement or termination of employment of any such Person or otherwise pursuant to any employee or director equity plan, employee or director stock option or profits interest plan or any other employee or director benefit plan or any agreement (including any separation, stock subscription, shareholder or partnership agreement) with any employee, director, consultant or distributor of a Borrower or any of their Subsidiaries in an aggregate amount after the Closing Date not to exceed, together with any payments made under any other Indebtedness permitted under Section 6.2(l), $500,000 in any calendar year, in each case so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof; and (iii) provided that (1) the Loan Parties are in pro forma compliance with the Financial Covenants, after giving effect thereto, as of the last day of the most recently ended Test Period, and (2) the Loan Parties' have pro forma minimum Liquidity of at least $10,000,000, make Restricted Payments in an amount not to exceed $500,000 in the aggregate.

**6.11 Payments in Respect of Certain Indebtedness**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance, purchase or acquisition, and whether of interest, principal or any other amounts) with respect to:

(a) any Subordinated Indebtedness (other than Permitted Affiliate Sub Debt, which shall be subject to clause (c)), except regularly scheduled payments of principal, interest and fees, but only to the extent permitted under any subordination agreement relating to such Indebtedness (and a Responsible Officer of Borrower Agent shall certify to the Administrative Agent, not less than five Business Days prior to the date of payment, that all conditions under such agreement have been satisfied);

(b) any mandatory prepayments under the Revolving Loan Obligations or any other Indebtedness under the Revolving Loan Documents to the extent any such mandatory payments are prohibited from being paid pursuant to the terms of the Intercreditor Agreement;

(c) any Permitted Affiliate Sub Debt; or

(d) any Indebtedness (other than the Obligations, Subordinated Indebtedness, the Revolving Loan Obligations or Permitted Affiliate Sub Debt), except, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) required payments under the agreements evidencing such Indebtedness as in effect on the Closing Date (or as amended thereafter with the consent of the Administrative Agent), or (ii) payments in an aggregate amount not to exceed $500,000 in any fiscal year of the Borrowers.

**6.12 Change in Business**. The Loan Parties shall not, and will cause their Subsidiaries not to, engage in any business, other than its business as conducted on the Closing Date and any activities incidental thereto.

**6.13 Changes in Accounting, Name and Jurisdiction of Organization**. The Loan Parties shall not, and will cause their Subsidiaries not to, (i) change their fiscal year, (ii) change its name as it appears in official filings in its jurisdiction of organization or (iii) change its jurisdiction or form of organization, in the case of clauses (ii) and (iii), without at least ten (10) Business Days' prior written notice to the Administrative Agent and the acknowledgement of the Administrative Agent that all actions reasonably required by the Administrative Agent have been completed.

**6.14** **No Negative Pledges**. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance of any kind on the ability of any Subsidiary to pay dividends or make any other distribution on any of such Subsidiary's Equity Interests or Equity Interests Equivalents or to pay fees, including management fees, or make other payments and distributions to a Borrower or any Subsidiary, except pursuant to the terms of the Loan Documents and the Revolving Loan Documents. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, enter into, assume or become subject to any contractual obligation prohibiting or otherwise restricting the existence of any Lien upon any Collateral in favor of the Administrative Agent to secure the Obligations, whether now owned or hereafter acquired except (i) in connection with any document or instrument governing Liens permitted herein, provided that any such restriction contained therein relates only to the Property subject to such Permitted Liens, (ii) with consent of the Administrative Agent and (iii) pursuant to the Revolving Loan Documents and the Intercreditor Agreement. Nothing in this Section 6.14 shall prohibit (1) this Agreement or any of the other Loan Documents, (2) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted hereunder pending the consummation of such sale, (3) restrictions imposed by applicable law, (4) any agreement in effect at the time a Person first became a Subsidiary of any Loan Party, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary and such restrictions are limited to such Subsidiary and its Subsidiaries, (5) in the case of any Subsidiary that is not a wholly-owned Subsidiary of Holdings, restrictions and conditions imposed by its organizational documents or any related joint venture, shareholder or similar agreements, or (6) contained in any financing documentation governing Indebtedness permitted to be incurred hereunder that are incurred by a Subsidiary that is not required to be a Guarantor, so long as such restrictions operate only upon the occurrence and during the continuance of an event of default under the documentation governing such Indebtedness and only impose restrictions on such Subsidiary and its Subsidiaries.

**6.15** **Holding Company Status**. Notwithstanding anything contained in this Agreement or the other Loan Documents to the contrary, Holdings shall not (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents and the Related Agreements, (b) hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), (c) incur any liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents, (d) merge, amalgamate or consolidate with any other Person, (e) sell or otherwise transfer any of its assets, (f) permit or suffer to exist any Lien on any of its assets other than Permitted Liens, or (g) accept or receive any Collateral (other than distributions that are expressly permitted by Section 6.10).

**6.16** **Use of Proceeds**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, use the proceeds of the Term Loans other than for lawful purposes and in accordance with Sections 4.10 and 4.12.

**6.17** **Tax Consolidation**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person other than Holdings, the Borrowers and their Subsidiaries.

**6.18** **Accounting Changes**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, make any material change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year or any fiscal quarter.

**6.19** **Hedging Agreements**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, enter into any Swap Contract, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

**6.20** **Plans**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, become party to any Multiemployer Plan or Foreign Plan, other than any in existence on the Closing Date.

**ARTICLE VII**
**EVENTS OF DEFAULT**

**7.1** **Events of Default**. The term "Event of Default" means any of the following events occurring for whatever reason, whether voluntary or involuntary, effected by operation of law, judgment, order or otherwise:

(a) A failure to pay when and as due any Obligations (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of a Loan Party made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) A default in the due performance and observance of any of the covenants or agreements contained in Sections 5.1, 5.2(a), 5.5, 5.6, 5.7, 5.13, 5.14 or 9.23 or Article VI;

(d) A Loan Party breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within thirty (30) days after a Responsible Officer of such Loan Party has knowledge thereof or receives notice thereof from the Administrative Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by a Loan Party;

(e) Any of the following shall occur: (i) a Guarantor repudiates, revokes or attempts to revoke its Guaranty, (ii) a Loan Party or an Affiliate thereof denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to the Administrative Agent for the benefit of the Secured Parties (except as modified by the Intercreditor Agreement), or (iii) any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by the Administrative Agent and Lenders);

(f) Any breach or default of a Loan Party occurs under (i) any Swap Contract or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound relating to (x) the Revolving Loan Obligations or (y) any other Indebtedness (other than the Obligations or the Revolving Loan Obligations), in the case of this clause (y), in excess of $1,000,000, in either case of clauses (i) or (ii), if the maturity of or any payment with respect to such Indebtedness may be accelerated or demanded due to such breach;

(g) Any final judgment or order for the payment of money is entered against a Loan Party in an amount that remains unpaid for more than ten (10) days and that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Loan Parties, $1,000,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect;

(h) A loss, theft, damage or destruction occurs with respect to any Term Loan Priority Collateral if the amount not covered by insurance exceeds $1,000,000;

(i) Any of the following shall occur: (i) a Loan Party is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business, (ii) a Loan Party suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business, (iii) there is a cessation of any material part of an Loan Party's business for a material period of time, (iv) any material Collateral or Property of a Loan Party is taken or impaired through condemnation, (v) except as expressly permitted by Section 5.2, a Loan Party agrees to or commences any liquidation, dissolution or winding up of its affairs, or (vi) a Loan Party is not Solvent;

(j) Any of the following shall occur: (i) an Insolvency Proceeding is commenced by a Loan Party, (ii) a Loan Party makes an offer of settlement, extension or composition to its unsecured creditors generally, (iii) a Loan Party admits in writing its inability to pay its obligations generally as they become due, (iv) a trustee is appointed to take possession of any substantial Property of or to operate any of the business of Loan Party, or (v) an Insolvency Proceeding is commenced against Loan Party and, in the case of this clause (v), (A) the Loan Party consents to institution of the proceeding, (B) the petition commencing the proceeding is not timely contested by the Loan Party, (C) the petition is not dismissed within 60 days after filing, or (D) an order for relief is entered in the proceeding;

(k) Any of the following shall occur: (i) an ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of a Loan Party or ERISA Affiliate to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan, (ii) a Loan Party or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, or (iii) any event similar to the foregoing occurs or exists with respect to a Foreign Plan;

(l) A Loan Party or its chairman of the board, president, chief executive officer or chief financial officer is criminally indicted or convicted for (i) a felony committed in the conduct of the Loan Party's business, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property of any Loan Party or any Collateral;

(m) A Change of Control occurs;

(n) Any of the following shall occur: (i) the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall contest in any manner, or assist any Person party thereto to contest in any manner, the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement, the Security Documents or the Intercreditor Agreement or (ii) the subordination provisions of any agreement or instrument relating to any Subordinated Indebtedness shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than the Administrative Agent or the Lenders) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions; or

(o) Any Loan Document or any material provision of any Loan Document shall at any time and for any reason cease to be valid and binding on or enforceable against any Loan Party party thereto or any Loan Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any security interest and Lien on the Collateral purported to be granted to the Administrative Agent for the benefit of the Secured Parties by any Security Document shall for any reason (other than as expressly permitted hereunder or pursuant to the terms thereof) cease to be in full force and effect or create a valid security interest in any material portion of the Collateral or such security interest shall for any reason (other than the failure of the Administrative Agent to take any action within its control) cease to be a perfected security interest with the priority stated in the Security Documents, except (in each case) (x) to the extent that any such grant, perfection or priority is not required pursuant to the terms hereof or the Security Documents and (y) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage.

**7.2** **Action If Event of Default**. If an Event of Default described in Section 7.1(j) shall occur, to the extent permitted by law, the full unpaid principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder shall automatically be due and payable without any declaration, notice, presentment, protest or demand of any kind (all of which are hereby waived). If any Event of Default other than pursuant to Section 7.1(j) shall occur and be continuing, the Required Lenders, upon written notice to the Borrower Agent (which shall be given by the Administrative Agent at the request of the Required Lenders), may declare the outstanding principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder to be due and payable without other notice to any Borrower, presentment, protest or demand of any kind (all of which are hereby waived), whereupon the full unpaid amount of the Term Loans and any and all other Obligations, which shall be so declared due and payable shall bear interest at the Default Rate and shall be and become immediately due and payable.

**7.3** **Remedies**.

(a) Upon acceleration of the Term Loans, as provided in Section 7.2, the Administrative Agent shall, at the request of the Required Lenders, exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents and/or under applicable law.

(b) The Administrative Agent, personally or by attorney, shall, at the request of the Required Lenders, proceed to protect and enforce its rights and the rights of the Lenders by pursuing any available remedy, including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in this Agreement or in the Notes, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Administrative Agent shall deem most effectual to collect the payments then due and thereafter to become due on the Notes or under this Agreement, to enforce performance and observance of any obligation, agreement or covenant of a Borrower hereunder or under the Notes or to protect and enforce any of the Administrative Agent's or any Lender's rights or duties hereunder.

(c) Upon acceleration of the Term Loans, as provided in Section 7.2, to the extent permitted by law, the Administrative Agent shall, if so directed by the Required Lenders, have the right to the appointment of a receiver for the Collateral of the Loan Parties pledged to secure the Obligations, both to operate and to sell such Collateral, and each Borrower hereby consents to such right and such appointment and hereby waives, to the fullest extent permitted by applicable law, any objection each Borrower may have thereto or the right to have a bond or other security posted by the Administrative Agent on behalf of the Lenders in connection therewith.

(d) No remedy herein conferred upon or reserved to the Administrative Agent or any Lender is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or under any other Loan Document now or hereafter existing at law, in equity or by statute.

(e) Each Lender agrees that it will not take any action, nor institute any actions or proceedings, against a Borrower hereunder or under any Loan Document, without the prior written consent of the Required Lenders or, as may be provided in this Agreement or the other Loan Documents, at the direction of the Administrative Agent with the consent of the Required Lenders.

## ARTICLE VIII
## THE ADMINISTRATIVE AGENT

**8.1** **Appointment and Authorization**. Each Lender hereby irrevocably appoints the Administrative Agent as the Administrative Agent of such Lender and authorizes the Administrative Agent to act on such Lender's behalf to the extent provided herein or under any of the other Loan Documents, and to take such other action and exercise such other powers as may be reasonably incidental thereto. Each Lender hereby agrees that it will require any transferee of any of such Lender's interests in its Term Loans to irrevocably appoint and authorize the Administrative Agent as such transferee's Administrative Agent in accordance with the terms hereof. Notwithstanding the use of the term "agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to the Loan Parties, any of the Lenders or any other Person (and no such fiduciary duties shall be implied) and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. The Borrowers, on behalf of the Loan Parties, and each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims the Borrowers and each Lender hereby waives.

**8.2** **Power**. The Administrative Agent shall have and may exercise such powers under this Agreement and any other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of the Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to any Loan Document or applicable law. The Administrative Agent shall not have any implied duties or any obligation to take any action under this Agreement or any other Loan Document except such action as is specifically provided by this Agreement or any other Loan Document to be taken by the Administrative Agent.

**8.3** **Interest Holders**. The Administrative Agent may treat each Lender, or the Person designated in the last notice filed with the Administrative Agent, whether under Section 9.3 or 9.9, or otherwise hereunder, as the holder of all of the interests of such Lender in its Term Loans until written notice of transfer, signed by such Lender (or the Person designated in the last notice filed with the Administrative Agent) and by the Person designated in such written notice of transfer, in form and substance satisfactory to the Administrative Agent, shall have been filed with the Administrative Agent.

**8.4** **Employment of Counsel; etc**. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document, and any instrument, agreement or document executed, issued or delivered pursuant or in connection herewith or therewith, by or through employees, agents and attorneys-in-fact and shall not be answerable for the default or misconduct of any such employee, agent or attorney-in-fact selected by it with reasonable care (other than employees, officers and directors of the Administrative Agent, when acting on behalf of the Administrative Agent). The Administrative Agent shall be entitled to rely on advice of counsel (including counsel who are the employees of the Administrative Agent) selected by the Administrative Agent concerning all matters pertaining to the agency hereby created and its duties under any of the Loan Documents.

**8.5** **Reliance**. The Administrative Agent shall be entitled to rely upon and shall not be under a duty to examine or pass upon the validity, effectiveness, genuineness of this Agreement, any other Loan Document or any notice, consent, waiver, amendment, certificate, affidavit, letter, telegram, statement, paper, document or writing furnished pursuant to this Agreement or any other Loan Document, and the Administrative Agent shall be entitled to assume (absent actual knowledge to the contrary) that the same are valid, effective and genuine, have been signed or sent by the proper Person(s) and are what they purport to be. The Administrative Agent shall be entitled to assume that no Default has occurred and is continuing unless it has actual knowledge, or has been notified in writing by the Borrower Agent, of such fact, or has been notified by a Lender in writing that such Lender considers that a Default has occurred and is continuing, and such Lender shall specify in detail the nature thereof in writing. The Administrative Agent shall not be liable hereunder for any action taken or omitted to be taken except for its own gross negligence or willful misconduct. The Administrative Agent shall provide promptly each Lender with copies of such documents received from the Borrower Agent pursuant to the terms of this Agreement or any other Loan Document as such Lender may reasonably request.

**8.6** **General Immunity**. Neither the Administrative Agent nor any of the Administrative Agent's directors, officers, agents, attorneys or employees shall be liable or responsible in any manner to any Loan Party, any Lender or any other Person for any action taken or omitted to be taken by it or them under the Loan Documents or in connection therewith except for any liability imposed by law for its own willful misconduct or gross negligence. Without limitation on the generality of the foregoing, the Administrative Agent: (a) shall not be responsible to any Lender for any recitals, statements, warranties, representations, or failure or delay of performance under the Loan Documents or any agreement or document related thereto or for the financial condition of the Loan Parties; (b) shall not be responsible for the authenticity, accuracy, completeness, value, validity, effectiveness, due execution, legality, genuineness, enforceability or sufficiency of any of the Loan Documents, any provisions thereof or any document contemplated thereby; (c) shall not be responsible for the validity, genuineness, creation, perfection or priority of any of the Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security; (d) shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, covenants or conditions of any of the Loan Documents on the part of the Loan Parties or of any of the terms of any such agreement by any party thereto and shall have no duty to inspect the property (including the books and records) of the Loan Parties; (e) shall incur no liability under or in respect of any of the Loan Documents or any other document or Collateral by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) furnished pursuant to this Agreement or any other Loan Document; (f) shall incur no liability to the Loan Parties or any other Person as a consequence of any failure or delay in performance by, or any breach by, any Lender or Lenders of any of its or their obligations under this Agreement; and (g) may consult with legal counsel (including counsel for the Borrowers), independent public accountants and other experts selected by the Administrative Agent.

**8.7** **Credit Analysis**. Each Lender has made, and shall continue to make, its own independent investigation or evaluation of the operations, business, property and condition, financial and otherwise, of the Loan Parties in connection with the making of its commitments hereunder and has made, and will continue to make, its own independent appraisal of the creditworthiness of the Loan Parties. Without limiting the generality of the foregoing, each Lender acknowledges that prior to the execution of this Agreement, it had this Agreement and all other Loan Documents and such other documents or matters as it deemed appropriate relating thereto reviewed by its own legal counsel as it deemed appropriate, and it is satisfied with the form and substance of this Agreement and all other Loan Documents. Each Lender agrees and acknowledges that neither the Administrative Agent nor any of its directors, officers, attorneys or employees makes any representation or warranties about the creditworthiness of the Loan Parties or with respect to the due execution, legality, validity, genuineness, effectiveness, sufficiency or enforceability of this Agreement or any other Loan Documents, or the validity, genuineness, execution, perfection or priority of Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security. Except as explicitly provided herein, neither the Administrative Agent nor any Lender has any duty or responsibility, either initially or on a continuing basis, to provide any other Lender with any credit or other information with respect to such operations, business, property, condition or creditworthiness, whether such information comes into its possession on or before a Default or an Event of Default or at any time thereafter.

**8.8** **Administrative Agent and Affiliates**. With respect to the Term Loans made by it and the Notes issued to it, the Administrative Agent, in its individual capacity, shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not an Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent, in its individual capacity, and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Loan Parties, and any Person who may do business with or own securities of the Loan Parties, all as if it were not an Administrative Agent and without any duty to account therefor to the Lenders.

**8.9** **Indemnification**. The Lenders jointly and severally agree to indemnify and hold harmless the Administrative Agent and its officers, directors, employees and agents (to the extent not reimbursed by the Borrowers), ratably according to their respective Commitments and Term Loans, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or any of its officers, directors, employees or agents, in any way relating to or arising out of any investigation, litigation or proceeding concerning or relating to the transaction contemplated by this Agreement or any of the other Loan Documents, or any of them, or any action taken or omitted by the Administrative Agent or any of its officers, directors, employees or agents, under any of the Loan Documents; provided, however, that no Lender shall be liable for any portion of such claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent or any of its officers, directors, employees or agents. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for such Lender's proportionate share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent or its officers, directors, employees or agents in connection with the preparation, execution, administration, or enforcement of, or legal advice in respect of rights or responsibilities under any of, the Loan Documents, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrowers.

**8.10** **Security Documents**. The Administrative Agent, as collateral agent hereunder and under the Security Documents, is hereby authorized to act on behalf of the Secured Parties, in its own capacity and through other agents and sub-agents appointed by it in good faith, under the Security Documents, provided that the Administrative Agent shall not agree to the release of any Collateral, or any property encumbered by any mortgage, pledge or security interests except in compliance with Section 8.11. In connection with its role as secured party with respect to the Collateral hereunder, the Administrative Agent shall act as collateral agent, for itself and for the ratable benefit of the Lenders, and such role as Administrative Agent shall be disclosed on all appropriate accounts, filings, mortgages, and other Collateral documentation.

**8.11** **Collateral Matters**. The Administrative Agent is authorized on behalf of all the Lenders without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to the Security Documents or any Collateral thereunder which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Security Documents. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon payment in full of all Term Loans and all other Obligations of the Loan Parties known to the Administrative Agent and payable under this Agreement or any other Loan Document; (ii) constituting Property sold or to be sold or disposed of to a Person that is not a Loan Party as part of or in connection with any Asset Disposition permitted hereunder; (iii) consisting of an instrument evidencing Indebtedness or other debt instrument, if the Indebtedness evidenced thereby has been paid in full; or (iv) if approved, authorized or ratified in writing by all the Lenders. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 8.11, provided that the absence of any such confirmation for whatever reason shall not affect the Administrative Agent's rights under this Section 8.11. In the event that any landlord in favor of which a Loan Party has granted a Permitted Lien on Excluded Assets requests an acknowledgement that the Collateral does not include any Excluded Assets secured by such Permitted Lien (a "Permitted Lien Acknowledgement"), the Administrative Agent shall deliver a Permitted Lien Acknowledgement to such landlord, on terms and conditions, and subject to documentation reasonably acceptable to the Administrative Agent and, if required by such landlord, shall amend any UCC-1 financing statements filed against a Loan Party in favor of the Administrative Agent to exclude the specific Excluded Assets that are the subject of such Permitted Lien Acknowledgement.

**8.12** **Action by the Administrative Agent**.

(a) The Administrative Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights with which it may be vested and with respect to taking or refraining from taking any action or actions which it may be able to take under or in respect of, this Agreement, unless the Administrative Agent shall have been instructed by the Required Lenders to exercise or refrain from exercising such rights or to take or refrain from taking such action; provided that the Administrative Agent shall not exercise any rights under Section 7.3 of this Agreement except upon the request of the Required Lenders or of all the Lenders, where expressly required by this Agreement. The Administrative Agent shall incur no liability under or in respect of this Agreement with respect to anything which it may do or refrain from doing in the exercise of its judgment or which may seem to it to be necessary or desirable in the circumstances, except for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court having jurisdiction over the subject matter.

(b) The Administrative Agent shall not be liable to the Lenders or to any Lender in acting or refraining from acting under this Agreement or any other Loan Document in accordance with the instructions of the Required Lenders or of all the Lenders, where expressly required by this Agreement, and any action taken or failure to act pursuant to such instructions shall be binding on all Lenders.

(c) Notice of Default or Event of Default. In the event that the Administrative Agent or any Lender shall acquire actual knowledge, or shall have been notified in writing, of any Default (other than through a notice by one party hereto to all other parties), such Lender shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify the Lenders, and the Administrative Agent shall take such action and assert such rights under this Agreement and the other Loan Documents as the Required Lenders (or all the Lenders, where expressly required by this Agreement) shall request in writing, and the Administrative Agent shall not be subject to any liability by reason of its acting pursuant to any such request. If the Required Lenders shall fail to request the Administrative Agent to take action or to assert rights under this Agreement in respect of any Default within ten (10) days after their receipt of the notice of any Default from the Administrative Agent or any Lender, or shall request inconsistent action with respect to such Default, the Administrative Agent may, but shall not be required to, take such action and assert such rights as it deems in its discretion to be advisable for the protection of the Lenders, except that, if the Required Lenders have instructed the Administrative Agent not to take such action or assert such right, in no event shall the Administrative Agent act contrary to such instructions.

**8.13 Successor Administrative Agent**. The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving thirty (30) days' prior written notice thereof to the Lenders and the Borrower Agent. Upon any such resignation, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), have the right to appoint a successor Administrative Agent hereunder that is organized under the laws of the United States of America or a political subdivision thereof. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any state thereof and having a combined capital and surplus of at least $250,000,000. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date. Upon the acceptance of any appointment as Administrative Agent under the Loan Documents by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Administrative Agent's resignation as Administrative Agent under the Loan Documents, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

**8.14 Legal Representation of Administrative Agent**. In connection with the negotiation, preparation and execution of this Agreement and the other Loan Documents, and in connection with future legal representation relating to loan administration, amendments, modifications, waivers or enforcement of remedies in connection herewith, Greenberg Traurig LLP has represented only and shall represent only Brightwood Loan Services LLC, in its capacity as Administrative Agent. Each Borrower and each other Lender hereby acknowledges that Greenberg Traurig LLP does not represent it in connection with any such matters.

**ARTICLE IX**
**MISCELLANEOUS**

**9.1** **Waivers, Amendments; etc**. The provisions of this Agreement, including the closing conditions set forth herein, may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower Agent and the Required Lenders; provided, that no amendment, waiver or consent shall: (a) increase the Commitment of any Lender or subject a Lender to any additional obligations, without the written consent of such Lender, (b) reduce the principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (d) change the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, unless in writing and signed by all the Lenders, (e) discharge any Borrower from its obligations under the Loan Documents, unless in writing and signed by all the Lenders, (f) amend Section 2.8 or this Section 9.1, unless in writing and signed by all Lenders or (g) except as specifically permitted hereby or thereby, release or impair the security interest in any of the Collateral granted to the Administrative Agent, for the benefit of the Secured Parties, under the Security Documents or discharge any Guarantor, unless in writing and signed by all the Lenders; provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

No failure or delay on the part of the Administrative Agent, any Lender or the holder of any Note in exercising any power or right under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on any Borrower in any case shall entitle it to any notice or demand in similar or other circumstances.

Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

**9.2** **Payment Dates**. Except as expressly provided in this Agreement, whenever any payment to be made hereunder by or to the Lenders or to the holder of any Note shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in computing the fees or interest payable on such next succeeding Business Day.

**9.3** **Notices**. All communications and notices provided under this Agreement shall be in writing by in writing (including email or facsimile transmission), telecopy or personal delivery and if to a Loan Party addressed or delivered to such Loan Party at its address shown on the signature page hereof or if to the Administrative Agent delivered to it at the address shown on **Schedule 9.3** attached hereto, or to any party at such other address as may be designated by such party in a notice to the other parties. Any notice shall be deemed given when transmitted by email, telecopier or, when personally delivered, if mailed properly addressed, shall be deemed given upon the third Business Day after the placing thereof in the United States mail, postage prepaid.

**9.4** **Costs and Expenses**. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation of this Agreement, including exhibits, and the Loan Documents and any amendments hereto or thereto or consents or waivers hereunder or thereunder as may from time to time hereafter be required thereby or by the transactions contemplated hereby, including, but not limited to, the fees and out-of-pocket expenses of the Administrative Agent, charges and disbursements of special counsel to the Administrative Agent from time to time incurred in connection with the preparation and execution of this Agreement and any document relevant to this Agreement, including the Loan Documents, any amendments hereto or thereto, or consents or waivers hereunder or thereunder, and the consideration of legal questions relevant hereto and thereto. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent and each Lender upon demand for all costs and expenses (including attorneys', auditors' and accountants' fees and expenses) reasonably incurred and arising out of the transactions contemplated by this Agreement and the Loan Documents, in connection with any work-out or restructuring of the transactions contemplated hereby and by the Loan Documents and any collection or enforcement of the obligations of any Loan Party hereunder or thereunder, whether or not suit is commenced, including attorneys' fees and legal expenses (limited to one (1) primary counsel for the Administrative Agent and, if deemed appropriate by the Administrative Agent, one (1) counsel in each relevant jurisdiction and any special counsel (except in the case of actual or perceived conflict, in which case one (1) additional counsel for each Lender similarly situated in respect of such conflict)) in connection with any appeal of a lower court's order or judgment. The obligations of the Loan Parties under this Section 9.4 shall survive any termination of this Agreement.

**9.5** **Indemnification**. In consideration of the execution and delivery of this Agreement by the Administrative Agent and the Lenders, the Loan Parties, joint and severally, agree to indemnify and hold harmless the Administrative Agent and each Lender and their respective Affiliates, officers, directors, employees, shareholders, agents, successors and assigns (the "Indemnified Parties") from and against any and all losses, claims, damages, liabilities and expenses (other than the expenses to be paid or reimbursed pursuant to Section 9.4 above), joint or several, to which any such Indemnified Party may become subject arising out of or in connection with this Agreement and the other transactions contemplated hereby, the Term Loans and the use of proceeds thereof in connection with any claim, litigation, investigation or proceeding (any of the foregoing, a "Proceeding") relating to any of the foregoing, regardless of whether any such Indemnified Party is a party hereto or whether a Proceeding is brought by a third party or by you any Loan Party or Affiliate of a Loan Party, and to reimburse each such Indemnified Party within ten (10) days of receipt of an invoice for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating or defending any of the foregoing; it being understood and agreed that no Loan Party shall be required to reimburse legal fees or expenses of more than one counsel to all Indemnified Parties, taken as a whole and in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel to each group of affected Indemnified Parties similarly situated taken as a whole (and, if reasonably necessary as determined by the Administrative Agent, a single local counsel for all Indemnified Parties taken as a whole in each relevant jurisdiction and, in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel in each relevant jurisdiction to each group of affected Indemnified Parties similarly situated taken as a whole); provided that the foregoing indemnity will not, as to any Indemnified Party, apply to losses, claims, damages, liabilities or related expenses to the extent (x) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of such Indemnified Party or any Related Indemnified Party (as defined below) of such Indemnified Party, (y) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from a material breach of the material obligations of such Indemnified Party or any of its Related Indemnified Parties under this Agreement or any of the Loan Documents at a time when no Loan Party has breached its obligations hereunder in any material respect, or (z) they relate to any dispute solely among Indemnified Parties at a time when no Loan Party has breached its obligations hereunder or any other Loan Document in any material respect (other than any claims against the Administrative Agent in its capacity or in fulfilling its role as Administrative Agent, but not any other Person or entity party to any such Proceeding).

Notwithstanding any other provision of this Agreement or any Loan Document, (i) no Indemnified Party or Related Indemnified Party shall be liable for any damages arising from the use by others of information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent such damages have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of any Indemnified Party and (ii) none of the Loan Parties, any of their Affiliates or any Indemnified Party or Related Indemnified Party shall be liable for any indirect, special, punitive or consequential damages incurred in connection with this Agreement or the transactions contemplated herein (provided that this provision shall not limit the Loan Parties' indemnification obligations set forth above). For purposes hereof, a "Related Indemnified Party" of an Indemnified Party means (1) any controlling person or controlled affiliate of such Indemnified Party, (2) the respective directors, trustees, officers, or employees of such Indemnified Party or any of its controlling persons or controlled Affiliates and (3) the respective agents or advisors of such Indemnified Party or any of its controlling persons or controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, controlling person or such controlled Affiliate; provided that each reference to a controlled Affiliate or controlling person in this paragraph pertains to a controlled Affiliate or controlling person involved in the negotiation of this Agreement and the other Loan Documents.

No Loan Party shall be liable for any settlement of any Proceedings effected without the Borrower Agent's consent (which consent shall not be unreasonably conditioned, withheld or delayed), but if settled with the Borrower Agent's written consent or if there is a final judgment for the plaintiff in any such Proceedings, the Loan Parties, jointly and severally, agree to indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages, liabilities and expenses by reason of such settlement or judgment in accordance with this Section 9.5. No Loan Party shall, without the prior written consent of an Indemnified Party, effect any settlement or consent to the entry of any judgment of any pending or threatened Proceedings in respect of which indemnity could have been sought hereunder by such Indemnified Party, unless (i) such settlement includes an unconditional release of such Indemnified Party in form and substance reasonably satisfactory to such Indemnified Party from all liability on claims that are the subject matter of such Proceedings, and (ii) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of such Indemnified Party.

The provisions of this Section 9.5 shall survive termination of this Agreement and payment in full of the Notes. This Section 9.5 shall not apply with respect to Taxes, other than Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

**9.6** **Severability**. Any provision of this Agreement, the Notes or any other Loan Document

executed pursuant hereto which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, the Notes or any other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

**9.7** **Headings**. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

**9.8** **Governing Law**. This Agreement and the Notes shall each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

**9.9** **Successors and Assigns**.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns except that: (i) other than as set forth in the Assumption Agreement, a Loan Party may not assign or transfer its rights hereunder without the prior written consent of all of the Lenders and the Administrative Agent, and (ii) any assignment by a Lender must be made in compliance with subsection (b) below and any participation by a Lender must be made in compliance with subsection (c) below. Notwithstanding clause (ii) of this subsection (a), any Lender may at any time, without the consent any Borrower or the Administrative Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank. Except to the extent otherwise required by its context, the word "Lender" where used in this Agreement means and includes any such assignee and such assignee shall be bound by and have the benefits of this Agreement the same as if such holder had been a signatory hereto.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities that are Eligible Assignees all or a portion of its Commitments, Term Loans, and its rights and obligations under this Agreement in respect thereof in accordance with the provisions of this subsection (b). Each assignment shall be of a constant, and not a varying, ratable percentage of the assigning Lender's rights and obligations under this Agreement and each Eligible Assignee shall assume a pro rata share of the assigning Lender's obligations determined by the percentage of the Commitments and Term Loans assigned for the period from the effective date of the assignment through the Maturity Date. Such assignment shall be substantially in the form of the Assignment and Assumption Agreement attached as **Exhibit D** hereto (the "Assignment and Assumption Agreement") and shall not be permitted hereunder unless (i) such assignment is for all of such Lender's Commitment and Term Loans and the rights and obligations under this Agreement related thereto, (ii) the amount of the Commitment and Term Loans assigned by the assigning Lender pursuant to each assignment shall be at least $1,000,000, or (iii) such assignment is to another Lender or an Affiliate of a Lender, in which case no minimum amount shall apply. The consent of the Administrative Agent and, provided no Default or Event of Default then exists, the Borrower Agent (which consents shall not be unreasonably withheld or delayed) shall be required prior to an assignment becoming effective with respect to a transferee which is not a Lender, an Affiliate of a Lender, or an Approved Fund. The Borrower Agent's consent shall be deemed to have been given unless the Borrower Agent objects within ten (10) Business Days after receipt of notice of such assignment. Upon (i) delivery to the Administrative Agent of an executed Assignment and Assumption Agreement, together with any required consents and (ii) payment of a $3,500 fee to the Administrative Agent by either the assigning Lender or the assignee Lender for processing such assignment, such assignment shall become effective on the effective date specified in such Assignment and Assumption Agreement; provided, that (a) if an assignment by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such assignment and (b) if an assignment by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such assignee, then only one assignment fee of $3,500 shall be due in connection with such assignment (unless waived or reduced by the Administrative Agent). On and after the effective date of such assignment, such transferee, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Commitment and Term Loans assigned to such transferee Lender. To the extent requested by the applicable Lenders, upon the consummation of any assignment pursuant to this Section 9.9, the Administrative Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such transferee Lender, in each case in principal amounts reflecting their Commitment and Term Loans, as adjusted pursuant to such assignment.

(c) Each Lender may, without the consent of any Borrower, sell participations to one or more banks or other entities that are Eligible Assignees in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Term Loans owing to it hereunder); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of, and obligations under, Section 10.1 and of the cost protection provisions contained in Section 10.4, as well as Sections 9.19 and 10.6 to the extent of the Lender selling such participation and the Borrowers' aggregate obligations with respect to Section 10.1 and Section 10.4 shall not be increased by reason of such participation, provided that such participant shall not be entitled to the benefits of Sections 10.1 and 10.4 unless such participant complies with Section 10.1(e) as (and to the extent) applicable, as if such participant were a Lender (it being understood that the documentation required under Section 10.1(e) shall be delivered to the participating Lender) (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right (and shall not limit its rights) to enforce the obligations of the Borrowers relating to the Term Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any fees payable hereunder (to the extent such participants are entitled to such fees) or the amount of principal of or the rate at which interest is payable on the Term Loans, or the dates fixed for payments of principal of or interest on the Term Loans). Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement.

(d) The Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and the principal amount of the Term Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement and the other Loan Documents, notwithstanding notice to the contrary. It is the intent of the parties that the Obligations shall be treated as issued in registered form under Section 5f. 103-1(c) of the United States Treasury Regulations. Upon the Administrative Agent's receipt of a duly completed Assignment and Assumption Agreement executed by an assigning Lender, an assignee Lender that is an Eligible Assignee and, to the extent required hereunder, the Borrowers, such Eligible Assignee's completed Administrative Questionnaire (unless the assignee is already a Lender), the fee referred to in Section 9.9(b) above, and any written consent to such assignment required by such subsection, the Administrative Agent shall accept such Assignment and Assumption Agreement and record the information contained therein in the Register. No assignment shall be effected for purposes of this Agreement unless it has been recorded in the Register as provided in this subsection.

(e) Notwithstanding anything to the contrary contained in this Section 9.9, a Lender that is a fund that invests in bank loans may pledge all or a portion of its rights in connection with this Agreement to the trustee or other agent for holders of obligations owed, or securities issued, by such fund as security for such obligations or securities, provided that any foreclosure or other exercise of remedies by such trustee shall be subject, in all respects, to the provisions of this Section 9.9 regarding assignments. No pledge described in the immediately preceding sentence shall release any such Lender from its obligations hereunder.

(f) Except as specifically set forth in this Section 9.9, nothing in this Agreement, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any Notes.

(g) The provisions of this Section 9.9 shall not apply to any purchase of participations among the Lenders pursuant to Section 2.5.

(h) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower Agent and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Term Loans in accordance with its respective Commitment. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

**9.10** **Execution in Counterparts**. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

**9.11** **Several Liability**. The Obligations of the Administrative Agent and each of the Lenders hereunder are several, not joint.

**9.12** **Financial Information**. Each Loan Party assumes responsibility for keeping itself informed of its own financial condition and the financial condition of any and all endorsers and/or other guarantors of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and the Loan Parties agree that the Administrative Agent and the Lenders shall have no duty to advise the Loan Parties of information known to them regarding such condition or any such circumstances.

**9.13** **Entire Agreement**. Except as otherwise expressly provided herein, this Agreement and the other documents described or contemplated herein embody the entire agreement and understanding among the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

**9.14** **Other Relationships**. No relationship created hereunder or under any other Loan Document shall in any way affect the ability of the Administrative Agent or its Affiliates and each Lender or their respective Affiliates to enter into or maintain business relationships with the Loan Parties beyond the relationships specifically contemplated by this Agreement and the other Loan Documents.

**9.15** **Consent to Jurisdiction**. EACH LOAN PARTY HEREBY IRREVOCABLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK CITY AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER LOAN DOCUMENT AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH LOAN PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING BY UNITED STATES CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OF COPIES OF SUCH PROCESS TO SUCH LOAN PARTY'S ADDRESS REFERENCED IN SECTION 9.3. EACH PARTY AGREES THAT A JUDGMENT, FINAL BY APPEAL OR EXPIRATION OF TIME TO APPEAL WITHOUT AN APPEAL BEING TAKEN, IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST SUCH LOAN PARTY OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

**9.16** **Waiver of Jury Trial**. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

**9.17** **USA Patriot Act**. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Loan Parties in accordance with the Act. The Loan Parties shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

**9.18** **Confidentiality**. Each of the Administrative Agent and each Lender agree to maintain the confidentiality of information obtained by it pursuant to any Loan Document, except that such information may be disclosed (i) with the Borrower Agent's written consent, (ii) in any legal, judicial, administrative proceeding or compulsory process or otherwise as required by applicable law or regulations (in which case such Person agrees to promptly notify the Borrower Agent to the extent practicable and permitted by applicable law); (iii) upon the request or demand of any Governmental Authority having jurisdiction over the Administrative Agent or such Lender, or their respective Affiliates (in which case such Person agrees to, except with respect to any audit or examination conducted by bank accountants, any governmental bank or insurance regulatory authority exercising examination or regulatory authority, or any regulatory requests made by the National Association of Insurance Commissioners, promptly notify the Borrower Agent to the extent lawfully permitted to do so); (iv) to officers, directors, trustees, agents, members, partners, equity holders, approved and managed funds, employees, attorneys, accountants and advisors of the Administrative Agent or any Lender who are informed of the confidential nature of such information and are or have been advised of their obligation to keep such information confidential solely on a need-to-know basis in connection with the transactions contemplated by this Agreement; (v) to any Affiliates of the Administrative Agent or any Lender (provided that any such Affiliate is advised of its obligation to retain such information as confidential) on a need-to-know basis in connection with the transactions contemplated by this Agreement; (vi) to the extent any such information becomes publicly available other than by reason of disclosure in breach of this Agreement; and (vii) in connection with the exercise or enforcement of any right or remedy under any Loan Document.

**9.19** **Replacement of Lenders**. If the Borrower Agent is entitled to replace a Lender pursuant to the provisions of Section 10.6, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower Agent may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.9), all of its interests, rights (other than its existing rights to payments pursuant to Sections 10.1 and 10.4 with respect to payments made prior to such assignment) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower Agent shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.9(b);

(b) such Lender shall have received payment of an amount equal to 100% of the outstanding principal of its Term Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 10.5) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower Agent (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 10.4 or payments required to be made pursuant to Section 10.1, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower Agent to require such assignment and delegation cease to apply.

**9.20 Keepwell**. Each of the Borrowers, any Affiliate of the Borrowers or any Guarantor that is a Qualified ECP Guarantor at the time the Guarantee or the grant of a Lien under the Loan Documents, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Article IX voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 9.20 shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each of the Borrowers, each Affiliate of the Borrowers and each Guarantor intends this Section 9.20 to constitute, and this Section 9.20 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

**9.21 Electronic Execution of Assignments and Certain Other Documents**. The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

**9.22 INTERCREDITOR AGREEMENT**.

(a) EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS THE ADMINISTRATIVE AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY THE ADMINISTRATIVE AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

(b) THE PROVISIONS OF THIS SECTION 9.22 ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT ITSELF TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NEITHER THE ADMINISTRATIVE AGENT NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM THE ADMINISTRATIVE AGENT.

(c) THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE LOAN PARTIES. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

(d) IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**9.23 Assumption by Holdings and Successor Borrowers**. Immediately following the consummation of the Hydrofarm Acquisition, (i) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent the Assumption Agreement and assume the rights and obligations of the Initial Borrower hereunder as a Borrower, (ii) Holdings shall duly execute and deliver to the Administrative Agent the Assumption Agreement and become a Guarantor hereunder and under each other Loan Document applicable to it, and (iii) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent each of the agreements, instruments and certificates listed in Section 3.1(a) to which Hydrofarm, WJCO, EHH or SunBlaster is, or is contemplated to be, a party. Immediately upon the completion of the actions set forth in clauses (i), (ii) and (iii) above, (x) Holdings shall be automatically released from its obligations as a Borrower hereunder and shall instead assume the obligations as a Guarantor hereunder and under the other Loan Documents and (y) each of Hydrofarm, WJCO, EHH and SunBlaster shall become a Borrower hereunder and under the other Loan Documents. Upon the reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request to implement the transactions contemplated by the Assumption Agreement and reflect the assumption by Hydrofarm, WJCO, EHH and SunBlaster of the obligations of the Initial Borrower contemplated thereby.

**ARTICLE X**
**TAXES, YIELD PROTECTION AND ILLEGALITY**

**10.1 Taxes**.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of any Borrower or Guarantor under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the applicable withholding agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Borrower or Guarantor, then the Administrative Agent or such Borrower or Guarantor shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Borrower or Guarantor or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code and provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Borrower or Guarantor or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) such Borrower or Guarantor or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Borrower or Guarantor or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and, if paid by the Administrative Agent, the Administrative Agent shall provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by Borrower and/or Guarantor. Without limiting the provisions of subsection (a) above, each Borrower and/or Guarantor shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications.

(i) Each Borrower and Guarantor shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 10.1) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower Agent by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Each Lender shall, and does hereby, severally indemnify and shall make payment in respect thereof within ten (10) days after demand therefor, (A) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that any Borrower or Guarantor has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of each Borrower and/or Guarantor to do so), and (B) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.9(c) relating to the maintenance of a Participant Register, and (C) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or a Borrower or Guarantor in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent, Borrowers or Guarantor to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document or otherwise payable by the Administrative Agent, Borrower or Guarantor from any other source against any amount due to the Administrative Agent, Borrowers or Guarantor under this clause (ii).

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by any Borrower or Guarantor to a Governmental Authority, as provided in this Section 10.1, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Agent and the Administrative Agent, at the time or times reasonably requested by the Borrower Agent or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower Agent or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Agent or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower Agent or the Administrative Agent as will enable the Borrower Agent or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 10.1(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that a Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Agent and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate satisfactory to the Administrative Agent on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies (or originals, as required) of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower Agent or the Administrative Agent to determine the withholding or deduction required to be made;

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Agent and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Agent or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Agent or the Administrative Agent as may be necessary for the Borrower Agent and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement; and

(E) the Administrative Agent shall deliver to the Borrower Agent on or prior to the date on which the Administrative Agent becomes the Administrative Agent under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent), executed copies of IRS Form W-9 certifying that the Administrative Agent is a U.S. Person exempt from U.S. federal backup withholding tax.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 10.1 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Agent and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund (or credit in lieu of a cash refund) of any Taxes ("Refund") as to which it has been indemnified by any Borrower or Guarantor or with respect to which any Borrower or Guarantor has paid additional amounts pursuant to this Section 10.1, it shall pay to such Borrower or Guarantor an amount equal to such Refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower or Guarantor under this Section 10.1 with respect to the Taxes giving rise to such Refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such Refund), provided that each Borrower or Guarantor, upon the request of the Recipient, agrees to repay the amount paid over to such Borrower or Guarantor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such Refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to such Borrower or Guarantor pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such Refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or Guarantor or any other Person.

(g) Survival. Each party's obligations under this Section 10.1 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

**10.2 Illegality**. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to the LIBOR Rate, or to determine or charge interest rates based upon the LIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower Agent through the Administrative Agent, (a) any obligation of such Lender to make or continue LIBOR Rate Loans shall be suspended, and (b) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the LIBOR Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower Agent that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all LIBOR Rate Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Rate Loans and (ii) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBOR Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBOR Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBOR Rate. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

**10.3 Inability to Determine Rates**.

(a) If in connection with any request for a LIBOR Rate Loan or a continuation thereof, (i) the Administrative Agent determines that (A) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such LIBOR Rate Loan or (B) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan or in connection with an existing or proposed Base Rate Loan (in each case with respect to clause (i), "Impacted Loans"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Term Loan, the Administrative Agent will promptly so notify the Borrower Agent and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain LIBOR Rate Loans shall be suspended (to the extent of the affected LIBOR Rate Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR Rate component of the Base Rate, the utilization of the LIBOR Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower Agent may revoke any pending request for a continuation of LIBOR Rate Loans (to the extent of the affected LIBOR Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request to convert such LIBOR Rate Loans to Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this Section 10.3, the Administrative Agent in consultation with the Borrower Agent and the Required Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of this Section 10.3, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrower Agent that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrower Agent written notice thereof.

**10.4 Increased Costs; Reserves on LIBOR Rate Loans**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 10.4(e));

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes) and (C) Connection Income Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender; and the result of any of the foregoing shall be to increase the cost to such Lender of making, continuing or maintaining any Term Loan the interest on which is determined by reference to the LIBOR Rate (or of maintaining its obligation to make any such Term Loan), or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender, or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Term Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or such Lender's holding company, as the case may be, as specified in subsection (a) or (b) of this Section 10.4 and delivered to the Borrower Agent shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 10.4 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 10.4 for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender notifies the Borrower Agent of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on LIBOR Rate Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each LIBOR Rate Loan equal to the actual costs of such reserves allocated to such Term Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Term Loan, provided the Borrower Agent shall have received at least ten (10) days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

**10.5 Funding Losses**. Upon written demand of any Lender (with a copy to the Administrative Agent) from time to time, which demand shall set forth in reasonable detail the basis for requesting such amount, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost, liability or expense (excluding loss of anticipated profits or margin) actually incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Term Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Term Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by a Borrower (for a reason other than the failure of such Lender to make a Term Loan) to prepay, borrow, continue or convert any Term Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower Agent; or

(c) any assignment of a LIBOR Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower Agent pursuant to Section 9.19; including any loss or expense (excluding loss of anticipated profits or margin) actually incurred by reason of the liquidation or reemployment of funds obtained by it to maintain such Term Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

**10.6 Mitigation Obligations; Replacement of Lenders**.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 10.4, or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1, or if any Lender gives a notice pursuant to Section 10.2, then at the request of the Borrower Agent, such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Term Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 10.1 or 10.4, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 10.2, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 10.4, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 10.6(a) that eliminates the need to pay additional amounts for Indemnified Taxes under Section 10.1 or compensation under Section 10.4, the Borrower Agent may replace such Lender in accordance with Section 9.19.

**10.7 Survival**. All of the Borrowers' obligations under Sections 10.4 and 10.5 shall survive termination of the Commitments, repayment of all other Obligations hereunder and resignation of the Administrative Agent.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

**HOLDINGS AND INITIAL BORROWER:**

**HYDROFARM HOLDINGS LLC**, as Holdings and Initial Borrower

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

Address for Notices:

210 Shields Court
Markham ON, L3R 8V2

*Each of the undersigned hereby confirms that, immediately after the funding of the Term Loans on the Closing Date and the consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, it hereby assumes all of the rights and obligations of a Borrower under this Agreement and hereby is joined to this Agreement as a Borrower hereunder.*

**HYDROFARM, LLC, as a Borrower**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

Address for Notices:
2249 S. McDowell Ext
Petaluma, CA 94954

**EHH HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address for Notices:
2249 S. McDowell Ext
Petaluma, CA 94954

**SUNBLASTER LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address for Notices:
2249 S. McDowell Ext
Petaluma, CA 94954

**WJCO LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Address for Notices:
4200 E. 50th Ave.
Denver, CO 80216

**ADMINISTRATIVE AGENT:**

**BRIGHTWOOD LOAN SERVICES LLC**, in its capacity as Administrative Agent

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer
Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

[Signature Page to Credit Agreement]

**LENDERS:**

**BRIGHTWOOD LOAN SERVICES LLC,** in its capacity as a Lender

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**BRIGHTWOOD CAPITAL FUND III 2016-2, LLC,** in its capacity as a Lender

**By: Brightwood Capital Fund Managers III, LLC, as its Manager**

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**BRIGHTWOOD CAPITAL FUND III-U, LP** in its capacity as a Lender

**By: Brightwood Capital Fund Managers III, LLC, its General Partner**

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**BCOF CAPITAL, LP** in its capacity as a Lender

**By: BCOF Capital Managers, LLC, its General Partner**

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**Schedule I**

**Lenders/Commitments**

| Lender | | Commitment |
|---|---|---|
| Brightwood Loan Services LLC | $ | 32,500,000 |
| BCOF Capital, LP | $ | 17,500,000 |
| Brightwood Capital Fund III 2016-2, LLC | $ | 24,291,667 |
| Brightwood Capital Fund III-U, LP | $ | 708,333 |
| **TOTAL** | **$** | **75,000,000** |

**Schedule 1.1**

**Consolidated EBITDA, Consolidated Fixed Charges and Fixed Charge Coverage Ratio Amounts**

**Schedule 4.1**

**List of Jurisdictions in which the Loan Parties and Subsidiaries Are Qualified to Do Business**

**Schedule 4.3**

**List of Subsidiaries**

**Schedule 4.6**

**Litigation**

**Schedule 4.8**

**ERISA**

**Schedule 4.9**

**Flood Zones**

**Schedule 4.16**

**Environmental Matters**

**Schedule 4.17**

**Labor Matters**

**Schedule 4.18**

**Intellectual Property**

**Schedule 4.23**

**Deposit Accounts**

**Schedule 6.2**

**Existing Indebtedness**

**Schedule 6.3**

**Existing Liens**

**Schedule 6.6**

**Permitted Investments**

**Schedule 6.7**

**Affiliate Transactions**

**Schedule 9.3**

**Administrative Agent's Office**

Brightwood Loan Services LLC
810 7th Avenue, 26th Floor
New York, NY 10019
Attn: Brightwood Finance
Fax: 646-537-2648

**EXHIBIT A**

**LENDER:**
**PRINCIPAL AMOUNT: $**

**FORM OF NOTE**

_____,20__

FOR VALUE RECEIVED, each of **HYDROFARM, LLC**, **EHH HOLDINGS, LLC**, **SUNBLASTER LLC** and **WJCO LLC** (each a "Borrower" and collectively, the "Borrowers") hereby promises to pay to_____, or its assigns ("Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of the Term Loan from time to time made by Lender to Borrowers under the Credit Agreement referred to below or any other Loan Document, and interest thereon, in accordance with the terms of the Credit Agreement. All computations of interest shall be as set forth in the Credit Agreement.

Each Borrower hereby unconditionally further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding, and on any unpaid interest payable hereon, from the date such interest is due hereunder, at the applicable rates per annum and on the dates set forth in the Credit Agreement until such principal amount is paid in full. Further, each Borrower hereby unconditionally further agrees to pay principal hereof on the dates and pursuant to the terms set forth in the Credit Agreement.

Each Borrower shall make all payments hereunder in lawful money of the United States and in same day or immediately available funds. If any payment is to be made on a day other than a Business Day, such payment shall instead be made on the following Business Day, and such extension of time shall be included in computing the interest payable hereunder in accordance with the terms of the Credit Agreement.

This Note (this "Note") is one of the Notes referred to in that certain Credit Agreement dated as of May 12, 2017 (as hereafter amended, restated, modified or supplemented, from time to time, the "Credit Agreement"), among Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company, EHH Holdings, LLC, a Delaware limited liability company, SunBlaster LLC, a Delaware limited liability company, and WJCO LLC, a Colorado limited liability company (collectively, the "Borrowers")), the other Loan Parties from time to time party thereto, the Lenders from time to time party thereto, and Brightwood Loan Services LLC, as Administrative Agent, which is incorporated herein by reference, and is subject to the provisions of and entitled to the benefits of the Credit Agreement, including the provisions regarding the interest rate, Default Rate, and principal payments, restrictions on and requirements for prepayment, and rights of acceleration. This Note is entitled to the benefits of the Security Agreement, the Guaranty Agreement and the other Loan Documents, and is secured by the Collateral. Terms used herein have the meanings assigned to those terms in the Credit Agreement, unless otherwise defined herein.

This Note is hereby expressly limited in that in no event shall the interest payable under this Note exceed the highest lawful rate as applicable to the Borrowers. If for any reason whatsoever, the provision of any Loan Document, at the time performance of such provision occurs, involves the payment of interest in excess of that permitted by law, and if, under any circumstances, Lender receives as interest any amount which would exceed the highest lawful rate applicable to the Borrowers, such amount which would be excessive interest shall be applied to reduce the unpaid principal balance and not the payment of interest.

Should the indebtedness represented by this Note or any part hereof be collected at law or in equity or in bankruptcy, receivership or other court proceeding, or should this Note be placed in the hands of attorneys for collection after default, the Borrowers agree to pay, in addition to the principal, interest due and payable hereon, all amounts due to Lender under Section 9.4 of the Credit Agreement.

Borrowers and all endorsers of this Note hereby waive presentment, demand, notice, protest, stay of execution, and all other defenses to payment generally and assent to the terms hereof. The assignment of this Note and any rights with respect thereto is subject to the provisions of the Credit Agreement, including the provisions governing the Register.

This Note shall be governed by the internal laws (and not the law of conflicts) of the State of New York.

TIME IS OF THE ESSENCE WITH RESPECT TO THIS NOTE.

[*signature pages follow*]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Note as of the date and year first above written.

**BORROWERS:**

**HYDROFARM, LLC**

By: _____
Name:
Title:

**EHH HOLDINGS, LLC**

By: _____
Name:
Title:

**SUNBLASTER LLC**

By: _____
Name:
Title:

**WJCO LLC**

By: _____
Name:
Title:

**EXHIBIT B**

**FORM OF GUARANTY**

**GUARANTY**

THIS GUARANTY, dated as of_____ (the "Guaranty"), is executed by each of the undersigned guarantors (each, a "Guarantor"), in favor of Brightwood Loan Services LLC, as Administrative Agent (in its capacity as such, and together with any permitted successor administrative agent hereunder, the "Administrative Agent") for itself and on behalf of the Lenders from time to time party to the Credit Agreement (as defined below) and the other Secured Parties.

**RECITALS**

A. Pursuant to that certain Credit Agreement dated as of May 12, 2017 (as amended, restated, modified or supplemented, from time to time the "Credit Agreement"), among the Lenders from time to time party thereto, Administrative Agent, Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company, EHH Holdings, LLC, a Delaware limited liability company, SunBlaster LLC, a Delaware limited liability company, and WJCO LLC, a Colorado limited liability company (collectively, the "Borrowers")) and the other Loan Parties from time to time party thereto, Lenders have agreed to make extensions of credit to Borrowers upon the terms and subject to the conditions set forth therein.

B. Lenders' obligation to extend Loans under the Credit Agreement is subject, among other conditions, to receipt by Administrative Agent for the benefit of the Secured Parties of this Guaranty, duly executed by each Guarantor. Each Guarantor acknowledges that in consideration for the Loans made by Lenders to Borrowers and as an inducement for Lenders to make the Loans to Borrowers, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Guarantor, each Guarantor has entered into this Guaranty.

C. Each Guarantor will derive substantial direct and indirect benefits from the making of the extensions of credit under the Credit Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Guarantor hereby agrees as follows:

Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement shall have the respective meanings given to those terms in the Credit Agreement. The interpretive provisions set forth in Article I of the Credit Agreement shall apply to this Guaranty and are hereby incorporated by reference. Each Guarantor acknowledges receipt of copies of the Credit Agreement and the other Loan Documents.

1. Guaranty. (a) Each Guarantor unconditionally, jointly and severally, absolutely and irrevocably guarantees, as primary obligor and not merely as surety, and promises to pay to Administrative Agent for the benefit of the Secured Parties, on demand, in lawful money of the United States, the full and punctual payment when due of all Obligations of each Borrower arising under the Loan Documents, whether existing on the date hereof or hereinafter incurred or created. The liability of each Guarantor hereunder is independent of the Obligations of each Borrower and any other Guarantor, and a separate action or actions may be brought and prosecuted against such Guarantor irrespective of whether action is brought against any Borrower or any other guarantor of the Obligations or whether any Borrower or any other guarantor of the Obligations is joined in any such action or actions. This Guaranty is a guaranty of payment and not of collection.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 4). The provisions of this Section 1(b) shall be implemented automatically without the need for any amendment or modification to the Loan Documents.

(c) Each Guarantor agrees that the Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 1 or affecting the rights and remedies of Administrative Agent or any Secured Party hereunder.

2. Amendments, etc. with respect to the Obligations. Each Guarantor shall remain

obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Obligations made by Administrative Agent or any Secured Party may be rescinded by Administrative Agent or such Secured Party and any of the Obligations continued, and the Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by Administrative Agent or any Secured Party, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as Administrative Agent (or the Required Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by Administrative Agent or any Secured Party for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither Administrative Agent nor any Secured Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for the guaranty contained in Section 1 or any Property subject thereto.

3. Guarantee Absolute and Unconditional. Each Guarantor waives, to the fullest extent permitted by applicable law, any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by Administrative Agent or any Secured Party upon the guaranty contained in Section 1 or acceptance of the guaranty contained in Section 1; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guaranty contained in Section 1, and all dealings between any Borrower and any of the Guarantors, on the one hand, and Administrative Agent and the Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guaranty contained in Section 1. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon any Borrower or any of the Guarantors with respect to the Obligations. Each Guarantor understands and agrees that the guaranty contained in Section 1 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard, to the extent permitted by applicable law, to (a) the validity or enforceability of the Credit Agreement or any other Loan Document (including any amendment, consent or waiver thereto), any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by Administrative Agent or any Secured Party, (b) any defense, set-off or counterclaim (other than a defense that the Obligations have been paid in full) which may at any time be available to or be asserted by any Borrower or any other Person against Administrative Agent or any Secured Party, (c) any other circumstance whatsoever (with or without notice to or knowledge of any Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of any Borrower for the Obligations, or of such Guarantor under the guaranty contained in Section 1, in bankruptcy, workout, insolvency, reorganization, arrangement, liquidation or dissolution or in any other instance, (d) the absence of (i) any attempt to collect any Obligation or any part thereof from any Borrower or any other Guarantor or other action to enforce the same or (ii) any action to enforce any Loan Document or any Lien thereunder, (e) the failure by any Person to take any steps to perfect and maintain any Lien on, or to preserve any rights with respect to, any Collateral, or (f) any foreclosure, whether or not through judicial sale, and any other sale or other disposition of any Collateral or any election following the occurrence of an Event of Default by any Secured Party to proceed separately against any Collateral in accordance with such Secured Party's rights under any applicable law. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor Administrative Agent or any Secured Party may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against any Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by Administrative Agent or any Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from any Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of any Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Administrative Agent or any Secured Party against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

Each Guarantor authorizes Administrative Agent, at the request of the Required Lenders, without notice to such Guarantor, irrespective of any change in the financial condition of any Borrower, any Guarantor or any other guarantor of the Obligations since the date hereof, and without affecting or impairing in any way the liability of any Guarantor hereunder, from time to time to (a) create new Obligations, and, either before or after receipt of notice of revocation, renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise change, amend or waive the terms of the Obligations or any part thereof, including increase or decrease of the rate of interest thereon; (b) take and hold security for the payment or performance of the Obligations and exchange, enforce, waive or release any such security; (c) apply such security and direct the order or manner of sale thereof; (d) purchase such security at a public or private sale; (e) otherwise exercise any right or remedy it may have against any Borrower, any Guarantor, any other guarantor of the Obligations or any security, including the right to foreclose upon any such security by judicial or nonjudicial sale; (f) settle, compromise with, release or substitute any one or more makers, endorsers or guarantors of the Obligations; and (g) assign the Obligations, this Guaranty, or the other Loan Documents in whole or in part. Each Guarantor hereby agrees that none of the foregoing acts constitutes a material alteration of such Guarantor's liability hereunder and specifically waives any such defense to liability otherwise arising by reason of any such act.

Each Guarantor agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time, payment of the Obligations or any part thereof is rescinded or must otherwise be restored by the Secured Parties upon or as a result of the bankruptcy or reorganization of any Borrower or otherwise. If after receipt of any payment of, or the proceeds of any Collateral for, all or any part of the Obligations, the Secured Parties are compelled to surrender or voluntarily surrender such payment or proceeds to any Person because such payment or application of proceeds is or may be avoided, invalidated, recaptured or set aside as a preference, fraudulent conveyance, impermissible setoff, or for any other reason, whether or not such surrender is the result of: (i) any judgment, decree or order of any court or administrative body having jurisdiction over the Secured Parties or Administrative Agent; or (ii) any settlement or compromise by the Secured Parties of any claim as to any of the foregoing, with any Person (including any Borrower), then the Obligations or affected part thereof shall be reinstated and continue and this Guaranty shall be reinstated and continue in full force as to such Obligations or part thereof as if such payment or proceeds had not be received, notwithstanding any previous cancellation of any instrument delivered to evidence the satisfaction thereof. The provisions hereof shall survive the termination of this Guaranty and any satisfaction and discharge by any Borrower by virtue of any payment, court order, or any federal or state law.

4. Subordination. Each Guarantor hereby subordinates any Indebtedness of any

Borrower to such Guarantor to the Obligations. Each Guarantor agrees that Administrative Agent and the Secured Parties shall be entitled to receive payment of all Obligations before any Guarantor receives payment of any Indebtedness of any Borrower to such Guarantor. Any payments on such Indebtedness of any Borrower to any Guarantor after an Event of Default has occurred and is continuing, if Administrative Agent so requests, shall be collected, enforced and received by such Guarantor as trustee for the Secured Parties and be paid over to Administrative Agent for the benefit of itself and the other Secured Parties on account of the Obligations, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

5. Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 6. The provisions of this Section 5 shall in no respect limit the obligations and liabilities of any Guarantor to Administrative Agent and the Secured Parties, and each Guarantor shall remain liable to Administrative Agent and the Secured Parties for the full amount guaranteed by such Guarantor hereunder.

6. No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by Administrative Agent or any Secured Party, no Guarantor shall be entitled to be subrogated to any of the rights of Administrative Agent or any Secured Party against any Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by Administrative Agent or any Secured Party for the payment of the Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from any Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all of the Obligations are paid in full. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for Administrative Agent, for the benefit of the Secured Parties, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to Administrative Agent, if required), to be applied against the Obligations, whether matured or unmatured, in such order as Administrative Agent may determine.

7. Setoff. Upon the occurrence and during the continuance of an Event of Default, each Secured Party and the Administrative Agent are hereby authorized at any time and from time to time, without prior notice to any Guarantor (any such notice being expressly waived by each Guarantor), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Secured Party or Administrative Agent to or for the credit or the account of any Guarantor or any of its Subsidiaries, including specifically any amounts held in any account maintained at such Secured Party or Administrative Agent, against any and all amounts then due and owing to the Administrative Agent or the Lenders, or any of them, by such Guarantor, in connection with this Guaranty or any Loan Document; provided that no Secured Party shall exercise any such right without the prior written consent of the Administrative Agent (at the direction of the Required Lenders). The rights of the Secured Parties and the Administrative Agent under this Section 7 are in addition to other rights and remedies (including other rights of set-off) which the Secured Parties and the Administrative Agent may have under applicable law. Each Secured Party and the Administrative Agent agrees, severally and not jointly, to notify each Guarantor of any exercise of its rights pursuant to this Section 7; provided, however, that failure to provide such notice shall not affect any Secured Party's or the Administrative Agent's rights under this Section 7 or the effectiveness of any action taken pursuant hereto; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.9 of the Credit Agreement and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Secured Parties, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations then due and owing to such Defaulting Lender as to which it exercised such right of setoff. Each Secured Party agrees to notify any Guarantor and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

8. Nonwaiver. No security interest or right of setoff shall be deemed to have been waived by any act or conduct on the part of the Secured Parties or Administrative Agent or by any failure to exercise such right of setoff or to enforce such security interest, or by any delay in so doing; and every right of setoff and security interest shall continue in full force and effect until such right of setoff or security interest is specifically waived or released by an instrument in writing executed by Administrative Agent and the Secured Parties.

9. No Reliance. Each Guarantor warrants and represents that the undersigned is fully aware of the financial condition of each Borrower and is executing and delivering this Guaranty based solely upon such Guarantor's own independent investigation of all matters pertinent hereto, and that such Guarantor is not relying in any manner upon any representation or statement of the Secured Parties or Administrative Agent. Each Guarantor warrants, represents and agrees that such Guarantor is in a position to obtain, and such Guarantor hereby assumes full responsibility for obtaining, any additional information concerning the financial condition of each Borrower and any other matter pertinent hereto, and that such Guarantor is not relying upon the Secured Parties or the Administrative Agent to furnish, and shall have no right to require the Secured Parties or Administrative Agent to obtain or disclose, any information with respect to the Indebtedness or Obligations guaranteed hereby, the financial condition or character of each Borrower or the ability of each Borrower to pay the Obligations or perform the Obligations guaranteed hereby, the existence of any Collateral or security for any or all of such Indebtedness or Obligations, the existence or nonexistence of any other guaranties of all or any part of such Indebtedness or Obligations, any actions or non-action on the part of the Secured Parties, Administrative Agent, each Borrower or any other person or entity, or any other matter, fact or occurrence whatsoever.

10. Joinders. Each Guarantor shall cause each of its Subsidiaries which, from time to time, after the date hereof shall be required to guaranty any Obligations of each Borrower pursuant to Section 5.9 of the Credit Agreement, to become a party hereto by executing a supplement or joinder hereto, in form and substance reasonably satisfactory to the Administrative Agent, and the execution and delivery thereof shall not require the consent of such Guarantor. The rights and obligations of each Guarantor shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Guaranty.

11. Miscellaneous.

(a) Amendments and Waivers. This Guaranty may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by each Guarantor and Administrative Agent. No failure or delay on Administrative Agent and any Secured Party's part in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. Unless otherwise specified in any such waiver or consent, each waiver or consent under any provision hereof shall be effective only in the specific instance and for the purpose for which given.

(b) Assignments. This Guaranty shall be binding upon and inure to the benefit of the Secured Parties and Administrative Agent, all holders of any Note and their respective successors and permitted assigns. No Guarantor may sell, assign or delegate any of its rights or obligations hereunder. This Guaranty is assignable by the Secured Parties with the Obligations which it guarantees and when so assigned, each Guarantor shall be bound to the applicable permitted assignees without in any manner affecting such Guarantor's liability hereunder for any part of the Obligations retained by the Secured Parties. The obligations and liability of each Guarantor hereunder and the validity and enforceability of this Guaranty shall not be terminated, impaired or otherwise affected by reason of the transfer of the business of any Borrower or any part thereof or interest therein to any other Person.

(c) Automatic Release. Anything herein to the contrary notwithstanding, a Subsidiary of Borrower shall automatically be released from its obligations hereunder upon the consummation of any transaction permitted pursuant to the Credit Agreement as a result of which such Subsidiary ceases to be a Subsidiary of any Borrower (or becomes a Foreign Subsidiary).

(d) Cumulative Rights, etc. The rights, powers and remedies of the Secured Parties and Administrative Agent under this Guaranty shall be in addition to all rights, powers and remedies given to the Secured Parties and Administrative Agent by virtue of any applicable law, rule or regulation of any governmental authority, the Credit Agreement, any other Loan Document or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Lender's or Administrative Agent's rights hereunder.

(e) Partial Invalidity. If any paragraph or part thereof of this Guaranty shall for any reason be held or adjudged to be invalid, illegal or unenforceable by any court of competent jurisdiction, such paragraph or part thereof so adjudicated invalid, illegal or unenforceable shall be deemed separate, distinct and independent, and the remainder of this Guaranty shall remain in full force and effect and shall not be affected by such holding or adjudication.

(f) Entire Agreement. This Guaranty and the other documents described or contemplated herein embody the entire agreement and understanding among the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.(g) Counterparts. This Guaranty may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument. Delivery of any executed counterpart of a signature page of this Guaranty by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.(h) Governing Law. This Guaranty shall be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York. Sections 9.15 and 9.16 of the Credit Agreement are incorporated herein, *mutatis mutandis*, as if a part hereof.

(i) Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be given in a fashion prescribed in Section 9.3 of the

Credit Agreement.*[Signature Page Follows]*

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed as of the day and year first above written.

| | |
|---|---|
| [_____] | [_____] |
| By: _____ | By: _____ |
| Name: | Name: |
| Title: | Title: |

**EXHIBIT C**

**FORM OF NOTICE OF BORROWING**

as of_____, 20__

TO THE LENDERS AND THE ADMINISTRATIVE AGENT, UNDER THE UNDERSIGNED'S CREDIT AGREEMENT DATED AS OF MAY 12, 2017

Re: Credit Loans to [_____]

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of May 12, 2017 (as amended, restated modified or supplemented from time to time, the "Credit Agreement") by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company, EHH Holdings, LLC, a Delaware limited liability company, SunBlaster LLC, a Delaware limited liability company, and WJCO LLC, a Colorado limited liability company (collectively, the "Borrowers")), the other Loan Parties from time to time party thereto, the Lenders from time to time party thereto, and Brightwood Loan Services LLC, as Administrative Agent. Unless otherwise defined herein, capitalized terms used herein shall have the meanings given thereto in the Credit Agreement.

The Borrowers hereby request a Term Loan in the aggregate amount of $_____ to be made on_____, under the Commitment. The Borrowers hereby elect that such Term Loan be a **[LIBOR Rate Loan] [Base Rate Loan] [with an Interest Period of_____ months]**. The proceeds of the Term Loan shall be wired to the
Borrowers or, for the account of Borrowers, to other Persons, in each case, as requested on Schedule A attached hereto. The foregoing instructions shall be irrevocable.

*[Signature Follows]*

IN WITNESS WHEREOF, the Initial Borrower and each Borrower, acting through an authorized signatory, has executed this Notice of Borrowing as of the date above first written.

HYDROFARM HOLDINGS LLC

By: _____
Name:
Title:

HYDROFARM, LLC

By: _____
Name:
Title:

EHH HOLDINGS, LLC

By: _____
Name:
Title:

SUNBLASTER LLC

By: _____
Name:
Title:

WJCO LLC

By: _____
Name:
Title:

SCHEDULE A

Borrower's Wire Transfer Instructions

**EXHIBIT D**

**FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Assignment and Assumption Agreement (this "Agreement") is made and entered into as of_____, by and among _____ (the "Assignor"), _____ (the "Assignee"), Brightwood Loan Services LLC, as administrative agent (the "Administrative Agent")[, and [_____] ( "Borrower Agent"). ]

Recitals

A. Reference is made to that certain Credit Agreement dated as of May 12, 2017 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by Hydrofarm, LLC, a California limited liability company, EHH Holdings, LLC, a Delaware limited liability company, SunBlaster LLC, a Delaware limited liability company, and WJCO LLC, a Colorado limited liability company (collectively, the "Borrowers")), the other Loan Parties from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent. Pursuant to the Credit Agreement, certain of the Lenders have agreed to extend Loans to Borrowers (the "Commitment") of which the Assignor's current portion of the Commitment is the amount specified in Item 1 of Schedule 1 attached hereto (the "Assignor's Commitment"). As of the date hereof, the aggregate principal amount of the outstanding Loans (as defined in the Credit Agreement) made by the Assignor to Borrowers pursuant to the Assignor's Commitment are specified in Item 2 of Schedule 1 attached hereto (the "Assignor's Loans"). All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

B. The Assignor wishes to sell and assign to the Assignee, and the Assignee wishes to purchase and assume from the Assignor, as applicable and as specified on Schedule 1 attached hereto, (i) all of the Assignor's Commitment specified in Item 3 of Schedule 1 hereto which is equivalent to the percentage (as a percentage of the Commitment) specified in Item 4 of Schedule 1 (the "Assigned Commitment"), and (ii) all of the Assignor's Loan(s) under the Commitment, as specified in Item 5 of Schedule 1 hereto (the "Assigned Loans").

The parties agree as follows:

1. Assignment. Subject to the terms and conditions set forth herein, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, without recourse to the Assignor, on the date first set forth above (the "Assignment Date") (a) all right, title and interest of the Assignor to the Assigned Loans and (b) all obligations of the Assignor under the Credit Agreement with respect to the Assigned Commitment. As full consideration for the sale of the Assigned Loans and the Assigned Commitment, the Assignee shall pay to the Assignor on the Assignment Date such amount as shall have been agreed between the Assignee and the Assignor (the "Purchase Price").

2. Consent and Undertaking. The Administrative Agent and each Borrower hereby consent to the assignment made herein, and each Borrower undertakes within ten (10) Business Days from the Assignment Date, if requested to do so by the Assignor or the Assignee, to execute new Notes to the Administrative Agent or its designee, for the benefit of the Assignee and the Assignor, as appropriate, to reflect the portion of the Commitment held by each of the Assignee and the Assignor after giving effect to the assignment contemplated by this Agreement. Said new Notes shall be substantially identical to the prior Notes, replacing only the name of the Lender with the name of the Assignee and reflecting the correct amount. If applicable, the Assignor agrees on the tenth (10th) Business Day following receipt by the Administrative Agent of the new Notes, to return its superseded Notes to the Administrative Agent or its designee, which shall thereupon transmit the new Notes to the Assignor and the Assignee, as appropriate, and the superseded Notes to each Borrowers for cancellation.

3. Representations and Warranties. Each of the Assignor and the Assignee represents and warrants to the other, to the Administrative Agent and to each Borrower that (a) it has full power and legal right to execute and deliver this Agreement and to perform the provisions of this Agreement; (b) the execution, delivery and performance of this Agreement have been authorized by all necessary action, corporate or otherwise, on its part and do not violate any provisions of its charter or by-laws or any contractual obligations or requirement of law binding on it; (c), in the case of the Assignor, it is the legal and beneficial owner of the Assigned Loans; (d) in the case of the Assignee, it is an Eligible Assignee and meets all requirements to be an assignee under Section 9.9 of the Credit Agreement; and (e) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject, as to enforcement of remedies, to the following qualifications: (i) an order of specific performance and an injunction are discretionary remedies and, in particular, may not be available where damages are considered an adequate remedy at law, (ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws affecting enforcement of creditors' rights generally (insofar as any such law relates to the bankruptcy, insolvency or similar event of the Assignor and the Assignee) and (iii) enforcement may be subject to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law) and may be limited by public policies which may affect the enforcement of certain rights or remedies provided for in this Agreement. In addition, the Assignee represents and warrants to the Assignor that the Assignee satisfies any minimum capital and surplus, asset or assets under management criteria set forth in the Credit Agreement.

4. Condition Precedent. The obligations of the Assignor and the Assignee hereunder shall be subject to the fulfillment of the condition that (i) the Assignor shall have received payment in full of the Purchase Price and (ii) the Assignor and the Assignee shall have complied with other applicable provisions of the Credit Agreement.

5. Notice of Assignment. The Assignor hereby gives notice to the Administrative Agent of the assignment and assumption of the Assigned Loans and the Assigned Commitments and hereby instructs Borrowers to make payments with respect to the Assigned Loans and the Assigned Commitment directly to the Administrative Agent for the benefit of the Assignee as provided in the Credit Agreement; provided, however, that Borrowers and the Administrative Agent shall be entitled to continue to deal solely and directly with the Assignor in connection with the interests so assigned until (i) the Administrative Agent shall have received counterparts of this Agreement duly executed by the Assignor, the Assignee and Borrowers (if Borrowers' consent hereto is required), and, unless receipt thereof is waived by the Administrative Agent, shall have received the assignment fee described in the Credit Agreement and (ii) the Assignor shall have delivered to the Administrative Agent any Notes that shall be subject to such assignment. From and after the date (the "Effective Date") on which the Administrative Agent shall notify Borrowers, the Assignee, and the Assignor that (i) and (ii) shall have occurred and all consents, if any, required shall have been given, the Assignee shall be deemed to be a party to the Credit Agreement and shall have the rights and obligations of a Lender under the Credit Agreement. After the Effective Date, and with respect to all such amounts accrued from the Assignment Date, (a) all interest, principal, fees, and other amounts that would otherwise be payable to the Assignor in respect of the Assigned Loans and the Assigned Commitments shall be paid to the Assignee, (b) if the Assignor receives any payment on account of the Assigned Loans or the Assigned Commitment, the Assignor shall promptly deliver such payment to the Assignee, and (c) any notices to the Assignee as a Lender under the Credit Agreement shall be sent to it at the address shown in Item 6 of Schedule 1 hereto. The Assignee agrees to deliver to Borrowers and the Administrative Agent such Internal Revenue Service forms as may be required to establish that the Assignee is entitled to receive payments under the Credit Agreement without deduction or withholding of tax.

6. Independent Investigation. The Assignee acknowledges that it is purchasing the Assigned Loans and the Assigned Commitment from the Assignor without recourse and, except as provided in Section 3 hereof, without representation or warranty. The Assignee further acknowledges that it has made its own independent investigation and credit evaluation of each Borrower in connection with its purchase of the Assigned Loans and the Assigned Commitment, and has received copies of all Loan Documents that it has requested. Except for the representations or warranties set forth in Section 3 hereof, the Assignee acknowledges that it is not relying on any representation or warranty of the Assignor, expressed or implied, including, without limitation, any representation or warranty relating to the legality, validity, genuineness, enforceability, collectibility, interest rate, repayment schedule or accrual status of the Assigned Loans or the Assigned Commitment, the legality, validity, genuineness, or enforceability of the Credit Agreement or any other Loan Document (including those which purport to provide Collateral for the Loans) referred to in or delivered pursuant to the Credit Agreement, or the financial condition or creditworthiness of each Borrower. The Assignor has not acted and will not be acting as either the representative, agent or trustee of the Assignee with respect to matters arising out of or relating to the Credit Agreement or this Agreement. From and after the Effective Date, the Assignor shall have no rights or obligations with respect to the Assigned Loans or the Assigned Commitment.

7. Method of Payment. All payments to be made by either party hereunder shall be in funds available at the place of payment on the same day and shall be made by wire transfer to the account designated by the party to receive payment.

8. Integration. This Agreement shall supersede any prior agreement or understanding between the parties (other than the Credit Agreement and the other Loan Documents) as to the subject matter hereof.

9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one in the same instrument and shall be binding upon the parties, their successors and assigns. Delivery of a counterpart hereof via facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement hereof.

10. Governing Law. This Agreement shall be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York. Sections 9.15 and 9.16 of the Credit Agreement are incorporated herein, *mutatis mutandis*, as if a part hereof.

[Remainder of this page intentionally left blank.]

WHEREAS, the parties hereto have executed this Assignment as of the date first above written.

**[ASSIGNOR]**

By: _____
Name:
Title:

**[ASSIGNEE]**

By: _____
Name:
Title:

[If required][Agreed, Accepted and Consented to:]

**[BORROWER AGENT:**

By: _____
Name:
Title:

Address: [_____]

**[ADMINISTRATIVE AGENT:**

**BRIGHTWOOD LOAN SERVICES LLC**

By: _____
Name:
Title: ]

**SCHEDULE 1**
**TO**
**ASSIGNMENT AND ASSUMPTION AGREEMENT**

Credit Agreement for [_____]

| | | |
|---|---|---|
| Item 1. | Assignor's Commitment: | $_____ |
| Item 2. | Assignor's Loans: | $_____ |
| Item 3. | Amount of Assigned Commitment: | $_____ |
| Item 4. | Percentage of Commitment Assigned: | _____% |
| Item 5. | Amount of Assigned Loans: | $_____ |
| Item 6. | Lending Office of Assignee and Address for Notices under Credit Agreement: | [_____]<br>[_____]<br>Attn: [_____]<br>Telecopy: [_____] |

**EXHIBIT E**

**FORM OF COMPLIANCE CERTIFICATE**

The undersigned, being a Responsible Officer of Hydrofarm, LLC (the "Borrower Agent") hereby certifies, pursuant to Section 5.1(d) of the Credit Agreement dated as of May 12, 2017 (as in effect on the date hereof, the "Credit Agreement") by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Initial Borrower"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower thereunder by the Borrower Agent, EHH Holdings, LLC, a Delaware limited liability company, SunBlaster LLC, a Delaware limited liability company, and WJCO LLC, a Colorado limited liability company (collectively, the "Borrowers")), the other Loan Parties from time to time party thereto, the Lenders from time to time party thereto, and Brightwood Loan Services LLC, as Administrative Agent (the "Administrative Agent"):

1. The accompanying **[audited/unaudited]** financial statements of Holdings as of _____, ____, for the **[quarter/year]** then ended (the "Period"), complete and correct in all material respects and fairly present the financial condition and results of operations of the Holdings and its Subsidiaries in accordance with GAAP for such Period [(subject to year-end adjustments and the lack of GAAP footnotes)][1].

2. Attached hereto as Schedule 1 are calculations performed by the undersigned or under the undersigned's supervision demonstrating Borrowers' compliance with each of the Financial Covenants set forth in Section 6.1 of the Credit Agreement, during the Period and as of the end of the Period.

**3. [No Default or Event of Default has occurred and is continuing] [A Default or an Event of Default has occurred and is continuing. The following sets forth a description of the nature thereof and outlines the actions which the Borrowers propose to take with respect thereto. [ ]].**

4. Attached hereto as Schedule 2 is a list of all places where any Borrower and their Subsidiaries conduct business or at which Collateral is kept that has not been previously disclosed to the Administrative Agent and all such locations that have been closed since the delivery of the last Compliance Certificate provided to the Administrative Agent.

Capitalized terms used herein and not otherwise defined are used as defined in the Credit Agreement.

[Remainder of page has been intentionally left blank.]

[1] To be added to the certificate delivered with quarterly financial statements of the Borrowers.

IN WITNESS WHEREOF, the undersigned have signed this Compliance Certificate as of the_____ day of _____, ____.

By: _____
Name:
Title:

SCHEDULE 1

Calculations Demonstrating Compliance with Financial Covenants (Section 6.1)

SCHEDULE 2

New and Closed Locations

**Exhibit 10.12**

**EXECUTION VERSION**

**FORBEARANCE AGREEMENT AND AMENDMENT TO CREDIT AGREEMENT**

This FORBEARANCE AGREEMENT AND AMENDMENT TO CREDIT AGREEMENT, dated as of May 18, 2018 (this "Agreement"), is made and entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), WJCO LLC, a Colorado limited liability company ("WJCO"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm, WJCO and EHH, collectively, the "Borrowers"), Hydrofarm Canada, LLC, a Delaware limited liability company, as a Guarantor, the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

**R E C I T A L S**

WHEREAS, the parties hereto have heretofore entered into that certain Credit Agreement, dated as of May 12, 2017 (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement"), by and among Holdings, the Borrowers, the Lenders and the Administrative Agent;

WHEREAS, the Loan Parties have heretofore entered into the Security Agreement and other Security Documents pursuant to which, among other things, the Loan Parties have granted certain liens and security interests to the Administrative Agent for the benefit of the Secured Parties (collectively, the "Secured Liens") in respect of each of the Loan Parties' obligations arising under the Credit Agreement and the other Loan Documents;

WHEREAS, certain Defaults and Events of Default described on Schedule I attached hereto have occurred and continue to exist under the Credit Agreement and the other Loan Documents (each a "Specified Default", and collectively, the "Specified Defaults"); and

WHEREAS, the Loan Parties have requested that the Lenders and the Administrative Agent temporarily forbear from exercising their rights and remedies under the Loan Documents arising as a result of the occurrence of the Specified Defaults.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Forbearance.

(a) Acknowledgment of Defaults and Rights and Remedies. Each of the Loan Parties, jointly and severally, acknowledges and agrees that (i) the Specified Defaults have occurred and are continuing, and (ii) but for the terms of this Agreement, the Lenders and the Administrative Agent may, if they so elect, exercise any and all rights and remedies that the Lenders or the Administrative Agent has under the Loan Documents, applicable law or otherwise in respect of the Specified Defaults.

(b) Forbearance.

(i) For purposes of this Agreement, the term "Forbearance Period" shall mean the period commencing on the Forbearance Effective Date (as hereinafter defined) and ending on that date (the "Forbearance Termination Date") which is the earliest to occur of the following: (1) July 15, 2018; (2) the date on which the Administrative Agent or the Lenders determine that any Default or Event of Default other than the Specified Defaults has occurred; (3) the date on which the forbearance of the Revolving Loan Agent and each Revolving Loan Lender pursuant to the Revolving Loan Forbearance Agreement shall terminate, expire or otherwise cease to be effective for any reason; (4) the date on which any Loan Party or any of their respective Subsidiaries initiates or has filed against it any bankruptcy, insolvency, assignment, foreclosure or similar proceeding under state, federal or foreign law; (5) the date on which any Loan Party breaches or fails to comply with any of the terms of this Agreement as determined by the Administrative Agent or the Lenders, including, without limitation, (i) the failure by any Loan Party to comply with, or any breach or violation by any Loan Party of, any of the agreements or covenants set forth herein, or (ii) the failure of any representation or warranty of any Loan Party set forth herein to be true and correct in all material respects; (6) the date on which the Revolving Loan Agent or any Revolving Loan Lender takes any action or initiates any action or proceeding to accelerate the obligations (including any Revolving Loan Obligations) or enforce any of its rights or remedies under the Revolving Loan Agreement or any other Revolving Loan Document or any right or remedy with respect to any collateral (including the Revolving Loan Priority Collateral) in respect of the Revolving Loan Obligations; or (7) the date on which any person or entity (including the Revolving Loan Agent or any Revolving Loan Lender) initiates any action or proceeding (including, without limitation, the initiation of any advertisement for foreclosure under a power of sale in any deed of trust, mortgage, deed to secure debt, or similar instrument) to foreclose or otherwise enforce any rights or remedies in connection with any lien, claim of lien, deed to secure debt, mortgage, security agreement or other encumbrance (including, without limitation, any judgment) on any assets or properties of any Loan Party or any of their respective Subsidiaries. Each of the Loan Parties hereby acknowledges and agrees that the execution and delivery of this Agreement has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Agreement, the Loan Parties have not relied upon, any potential extension of the Forbearance Period.

(ii) In reliance upon the representations, covenants, agreements and acknowledgments of each of the Loan Parties contained in this Agreement and subject to the terms and conditions contained herein, during the Forbearance Period, each of the Lenders and the Administrative Agent agrees to forbear from exercising its rights and remedies under the Loan Documents that are based solely on the occurrence of the Specified Defaults; provided, that, since the occurrence of the first Specified Default, and continuing after the date hereof, the Obligations shall have borne and accrued interest, and shall continue to bear and accrue interest following the date hereof, at the Default Rate in accordance with Section 2.01(e)(2) of the Credit Agreement.

(iii) Each of the Loan Parties, jointly and severally, acknowledges and agrees that, on and after the Forbearance Termination Date, each of the Lenders and the Administrative Agent may proceed, without any requirement for notice to any Loan Party or any other Loan Party, to enforce any or all of its rights and remedies under or in respect of the Term Loan, the Obligations, the Credit Agreement, the Loan Documents, this Agreement or applicable law, including, without limitation, the right to require that the Loan Parties repay immediately all Obligations and any and all other amounts then owing under or pursuant to the Loan, the Credit Agreement and the other Loan Documents and the right to exercise any and all remedies in respect of the Secured Liens.

SECTION 2. Additional Agreements. In connection with the agreements of the Lenders and the Administrative Agent hereunder, each of the Loan Parties, jointly and severally, agrees to the following additional terms and conditions and expressly acknowledges and agrees that the failure to comply with the provisions of this Agreement (including the provisions of this Section 2) shall constitute an Event of Default (without need for notice of any kind or any passage of time) under the Credit Agreement and each of the other Loan Documents. Each of the Loan Parties hereby covenants and agrees that:

(a) On April 13, 2018 the Loan Parties retained Carl Marks & Co., Inc. as a financial advisor (the "Financial Advisor"), and have delivered to the Administrative Agent and the Lenders a copy of the engagement letter entered into between the Loan Parties and the Financial Advisor. The Loan Parties shall continue to retain the Financial Advisor at all times during the Forbearance Period.

(b) On or before June 15, 2018 prior to 5:00 p.m. (New York City time), the Loan Parties shall, and shall cause Financial Advisor to, deliver to the Administrative Agent and the Lenders:

(i) Revised Forecast. A revised forecast and financial model for the 2018 and 2019 calendar years for the Loan Parties in form and substance acceptable to the Lenders. The 2018 report is to be provided on a monthly basis and the 2019 report on a fiscal quarter basis;

(ii) FA Report. A report on the Financial Advisor's findings and potential cost savings and reductions for the Loan Parties in form and substance acceptable to each Lender; and

(iii) Financing Proposal. A comprehensive financial proposal, which proposal shall, at a minimum, outline in reasonable detail the Loan Parties' plan for obtaining increased liquidity, deleveraging the Loan Parties through a capital raise or other method, and financing options to right size the capital structure, which financial proposal shall be in form and substance acceptable to each Lender.

(c) On or before June 30, 2018 prior to 5:00 p.m. (New York City time), the Loan Parties shall, and shall cause Financial Advisor to, deliver to the Administrative Agent and the Lenders a draft of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Loan Parties and their Subsidiaries as of and for the fiscal year ended December 31, 2017 and on or before July 15, 2018 prior to 5:00 p.m. (New York City time), the Loan Parties shall, and shall cause Financial Advisor to, deliver to the Administrative Agent and the Lenders a final draft of such report.

(d) The Loan Parties' senior management shall, and shall cause Financial Advisor to, hold and participate in bi-weekly conference calls or in-person meetings with the Administrative Agent and the Lenders during which (i) the Loan Parties' senior management shall, and shall cause Financial Advisor to, provide the Administrative Agent with a reasonably detailed update of the Loan Parties' operations and financial position and (ii) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Loan Parties' senior management and the Financial Advisor with respect to the Loan Parties' operations and financial position. In connection with each such bi-weekly conference call or in-person meeting, the Loan Parties shall deliver to the Lenders, at least one Business Day prior to such call or meeting, an agenda and summary of the update of the Loan Parties' operations and financial position to be discussed at such call or meeting.

(e) The Loan Parties shall, and shall cause Financial Advisor to, (a) meet, separately or collectively as Administrative Agent may request, with Administrative Agent and the Lenders and their representatives, including telephonic meetings, at such reasonable times during normal business hours as may be requested by Administrative Agent, to answer questions, provide updates and deliver such materials as may be reasonably requested by Administrative Agent or the Lenders relating to the financial condition or the actual or projected financial or operating results of the business operations or property of the Loan Parties and (b) answer questions, provide updates and deliver such materials as may be further reasonably requested from time to time by Administrative Agent relating to the foregoing.

(f) Loan Parties shall simultaneously deliver to each Lender any report delivered to any Revolving Loan Lender or the Revolving Loan Agent by any Loan Party or representative of any Loan Party, including, without limitation, any inventory appraisal report prepared by Hilco as provided in Section 4(i) of the Revolving Loan Forbearance Agreement and any field exam prepared as provided in Section 4(j) of the Revolving Loan Forbearance Agreement.

(g) On or prior to the date that is three Business Days after the Forbearance Effective Date, (the "Debt Financing Deadline"), (A) Holdings shall obtain the proceeds of a subordinated debt financing (the "Debt Financing") from PBCO, Inc. (the "Debt Investor") in an amount not less than $4,000,000, which Debt Financing shall (i) provide that the only obligor in respect of such Debt Financing shall be Holdings, (ii) be unsecured, (iii) be fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall be in form and substance acceptable to each Lender in its sole discretion, (iv) have a maturity date no earlier than 6 months after the Maturity Date, (v) provide for no scheduled payments of principal, prepayments or voluntary payments of principal nor mandatory redemption obligations prior to the Maturity Date, (vi) accrue interest at a rate no greater than 8.24% per annum, which interest shall compound annually in arrears on the 1st calendar day of each year, (vii) provide that no payment of interest may be made in cash prior to 6 months after the Maturity Date, (viii) not be cross-defaulted to the Loan Documents, (ix) be subject to permanent standstill provisions (other than filing a proof of claim in connection with a Proceeding), (x) provide that neither the Debt Financing, nor any interest therein, may be assigned by the Debt Investor to any person or entity without the prior written consent of each Lender, and (xi) otherwise be on terms and conditions, and pursuant to documentation, acceptable to each Lender in its sole discretion.

(h) The Loan Parties hereby agree that the proceeds of the Debt Financing shall not be used for any purpose other than for the purpose of funding the working capital needs of the Loan Parties. For the avoidance of doubt, the Loan Parties shall not use, or permit or suffer the use of, any of the proceeds of the Debt Financing for the purposes of making any payment in respect of the Obligations or the Revolving Loan Obligations. The proceeds of the Debt Financing shall be deposited into a separate account at Revolving Loan Agent shall only be used for working capital purposes and only if Loan Parties are not able to draw on the Revolving Loans at such time.

(i) The Loan Parties shall deliver to the Administrative Agent and the Lenders each of the audited and unaudited annual, quarterly and month financial statements and other reports and information required to be delivered under Section 5.1 of the Credit Agreement, in each case, (x) on or prior to the date such audited and unaudited annual, quarterly or month financial statements or other reports and information is required to be so delivered under Section 5.1 of the Credit Agreement, and (y) in form and substance acceptable to the Administrative Agent in its sole discretion; provided, that, with respect to the monthly financial statements and other deliveries required under Section 5.1 of the Credit Agreement, such monthly financial statements and other deliveries shall include a report on the net sales by state of the Loan Parties in the same form as shall have previously been delivered to the Administrative Agent and, in each case, in form and substance acceptable to the Administrative Agent in its sole discretion.

(j) Beginning May 10, 2018, the Loan Parties shall deliver to the Administrative Agent and the Lenders, as soon as available, but in any event no later than the Wednesday following the end of each week, a thirteen (13)-week cash forecast prepared by the Financial Advisor (which at a minimum will include (i) weekly variance reporting, comparing actual amounts to forecasted amounts; (ii) weekly cash receipts; (iii) expenditures detailed category; and (iv) ending Book Cash (as defined below)), sales invoice reports, accounts receivables and accounts payable aging reports by top ten customers and suppliers and months in inventory reports of inventory by location and staleness, in each case, in the same form as shall have previously been delivered to the Administrative Agent and, in each case, in form and substance acceptable to the Administrative Agent in its sole discretion.

(k) From and after May 22, 2018, the Loan Parties shall not permit (A) the sum of (i) the U.S. Availability (as defined in the Revolving Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account at Bank of America in the United States and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $2,000,000 or (B) the sum of (i) the Global Availability (as defined in the Revolving Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $3,000,000. For the purposes hereof, "Book Cash" shall mean the amount on deposit in the Borrowers' bank accounts located in the United States and/or Canada, as applicable, that are subject to a control agreement to the extent required under Section 8.2(d) of the Revolving Loan Agreement, at 5:00 p.m. (Eastern Time) on any date of determination less (i) all checks that have been written or otherwise distributed but not yet cashed as of such date of determination and (ii) all automated clearing house transfers that have been initiated by the depository bank and not funded by the Borrowers, provided, that the amount of such cash shall have been reconciled to the books and records (including bank statements) of the Borrowers in a manner reasonably acceptable to the Administrative Agent.

(l) None of the Loan Parties nor any of their respective Subsidiaries shall enter into, or otherwise consent to or permit to exist, any amendment, restatement, supplement, waiver or other modification to the Revolving Loan Agreement or any other Revolving Loan Document (including, without limitation, the Revolving Loan Forbearance Agreement) without the prior written consent of the Administrative Agent, which the Administrative Agent may grant, decline or withhold in its sole discretion. Notwithstanding the foregoing, the Revolving Loan Agent and Revolving Loan Lenders may waive or extend the due date for deliveries required pursuant to the Revolving Loan Agreement, the Revolving Loan Documents and the Revolving Loan Forbearance Agreement, but no such waiver or extension shall be binding on the Administrative Agent or the Lenders with respect to deliveries required under the Term Loan Agreement or this Agreement.

(m) Notwithstanding anything set forth in the Credit Agreement or any Loan Document to the contrary, during the Forbearance Period, no Loan Party shall (and no Loan Party shall permit any of their respective Subsidiaries to):

(i) make or pay any Restricted Payment other than Tax Distributions permitted to be made pursuant to Section 6.1 of the Credit Agreement;

(ii) pay any Permitted Management Fees or pay any other management fees to the Manager, the Sponsor, the Co-Investor, any of their respective Affiliates or any other person or entity;

(iii) form, establish, create or invest in any Subsidiary or any other Person;

(iv) liquidate or dissolve, or consolidate or merge with any Person;

(v) pay any earnout or any similar obligation, including, without limitation, any Asset Acquisition Earnout Obligation;

(vi) make or receive any Equity Cure Contribution or otherwise exercise any right under Section 6.1(c) of the Credit Agreement;

(vii) declare, make or pay any intercompany loans, investments or other transfer of assets (including any Permitted Intercompany Loans) from the Borrowers or any of their domestic Subsidiaries to any Canadian Subsidiaries;

(viii) prepay or repay any Indebtedness other than to repay on the Revolver Loans; or

(ix) make any Investment, including any Permitted Investment.

(n) In addition to the other agreements set forth herein and in the Credit Agreement, during the Forbearance Period:

(i) none of the Loan Parties, their respective Subsidiaries or their respective direct or indirect equityholders, or any affiliate of any of the foregoing, will join in, assist, cooperate or participate as an adverse party or adverse witness in any suit or other proceeding against any Lender or the Administrative Agent relating to the Credit Agreement or any other Loan Document or any of the Obligations or the Secured Liens, or in connection with or related to any of the transactions contemplated by the Credit Agreement, any other Loan Document, this Agreement or any document, agreement or instrument executed in connection with any Loan Document or this Agreement; and

(ii) no Loan Party will be subject to any order of any court enjoining it from complying with any of the terms or conditions of this Agreement.

(o) Notwithstanding anything set forth in the Credit Agreement or any Loan Document to the contrary, during the Forbearance Period, the Loan Parties shall not (and the Loan Parties shall not permit their respective Subsidiaries to) permit (x) the aggregate amount of accounts payable of the Loan Parties and their Subsidiaries that are overdue by more than 60 days following the date due to exceed $2,500,000 or (y) the DPO to be greater than 55. For the purposes of the foregoing, the "DPO" shall mean, as of any date, the product of (i) a quotient, (A) the numerator of which is equal to the aggregate amount of outstanding trade payables of the Loan Parties and their Subsidiaries as of such date, and (B) the denominator of which is equal to the average cost of goods sold of the Loan Parties and their Subsidiaries for the last three full calendar months ending on or prior to such date, times (ii) thirty (30).

SECTION 3. Conditions Precedent. This Agreement shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Administrative Agent's sole discretion (the date of such effectiveness being herein called the "Forbearance Effective Date"):

(a) the Administrative Agent shall have received an executed counterpart of this Agreement duly executed by each of the Loan Parties and each of the Lenders;

(b) the Administrative Agent shall have received from the Loan Parties a forbearance fee (the "Forbearance Fee") for the benefit of each of the Lenders in an amount equal to 0.25% of the outstanding principal amount of the Term Loans held by each such Lender, which fee shall be for each such Lender's own account and shall be fully earned and due and payable on the Forbearance Effective Date; provided, that, the Forbearance Fee payable pursuant to this clause (b) shall be paid by the Borrower on the Forbearance Effective Date by adding, effective as of the Forbearance Effective Date, the amount of the Forbearance Fee payable to each Lender to the outstanding principal amount of the Term Loans held by each such Lender on the Forbearance Effective Date;

(c) the Revolving Loan Agent and each Revolving Loan Lender shall have entered into the Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement (the "Revolving Loan Forbearance Agreement"), and such Revolving Loan Forbearance Agreement shall be in form and substance acceptable to the Administrative Agent in its sole discretion;

(d) all representations and warranties contained in this Agreement shall be true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date;

(e) no Default or Event of Default (other than the Specified Defaults) shall have occurred and be continuing under the Credit Agreement or any of the other Loan Documents;

(f) the Loan Parties shall have paid all costs and expenses of the Administrative Agent (including legal fees and expenses) incurred in connection with the preparation and execution of this Agreement and incident to all proceedings in connection with the transactions contemplated by, and documents relating to, this Agreement and the Loan Documents, which payment shall be nonrefundable; and

(g) the Administrative Agent shall have received a closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent that the conditions set forth in this Section 3 have been satisfied.

SECTION 4. Amendment to Credit Agreement. Effective as of the Forbearance Effective Date:

(a) The definition of "Consolidated EBITDA" in Section 1.1 of the Credit Agreement is hereby amended to add the following clause (xiii):

"(xiii) fees, costs and expenses incurred in such period in connection with the Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), among the Borrowers, the Administrative Agent and the Lenders, the Revolving Loan Forbearance Agreement (as defined in the Forbearance Agreement) and the actions contemplated thereby, including without limitation forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals,"

(b) The definition of "Financial Covenants" in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

""Financial Covenants" the covenants, agreements and obligations set forth in Sections 6.1(a), 6.1(b) and 6.1(d)."

(c) Section 2.1(d)(1) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Amortization. Commencing September 30, 2017, and continuing on the last day of each fiscal quarter of the Borrowers thereafter, the Borrowers shall make quarterly repayments of the principal amount of the Term Loans in the aggregate principal amount equal to 0.625% of the original principal amount of the Term Loans on the Closing Date; provided, that the quarterly payment due on June 30, 2018 shall instead be due and payable on the later of (i) the Forbearance Termination Date (as defined in the Forbearance Agreement), and (ii) June 30, 2018."

(d) Section 2.1(e)(3) of the Credit Agreement is hereby amended to insert the following clause at the end of clause (C) of such Section 2.1(e)(3):

"provided, that, with respect to any Interest Payment Date that would otherwise occur during the continuation of the Forbearance Period (as defined in the Forbearance Agreement), the interest that would otherwise be required to be paid hereunder on such Interest Payment Date shall instead be due and payable hereunder on the Forbearance Termination Date (as defined in the Forbearance Agreement)."

(e) Section 6.1 of the Credit Agreement is hereby amended by inserting a new clause (d) therein to read in its entirety as follows:

"(d) Minimum EBITDA. The Borrowers shall not permit Adjusted Consolidated EBITDA for the previous four-month period ending as of the last day of any calendar month to be less than Negative One Million Five Hundred Thousand Dollars ($-1,500,000). As soon as practicable and in any event within 30 days after the end of each month, the Borrowers shall deliver to Administrative Agent a certificate in form and substance acceptable to Administrative Agent, completed and signed by a Responsible Officer of the Borrower Agent, setting forth the calculation of EBITDA for the previous month and certifying whether or not the Borrowers are in compliance with the foregoing covenant."

(f) Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.21 therein to read in its entirety as follows:

"**6.21 Board Observer**. Commencing on the Forbearance Effective Date (as defined in the Forbearance Agreement), each Loan Party shall allow (i) one (1) non-voting representative designated by the Administrative Agent (such representative, the "Attending Observer") to attend either in person or telephonically, in the capacity of an observer and not a member, all meetings and all calls of the board of directors, board of managers or similar governing body of each of the Loan Parties, including all committees and sub-committees thereof (each, a "Governing Body"), and (ii) one (1) non-voting representative designated by each Lender (each such representative, a "Call-In Observer", and the Call-In Observers and the Attending Observer, collectively, the "Observers") to attend telephonically, in the capacity of an observer and not a member, all meetings and all calls of each Governing Body. Each Loan Party shall (a) give each Observer prior written notice of all such meetings and calls of each Governing Body at the same time as notice is furnished to the members of the applicable Governing Body, but, in any event, no later than forty eight (48) hours prior to such meeting or call, (b) provide each Observer with all notices, documents and information furnished to the members of the Governing Body in connection with each such meeting or call, whether at or in anticipation of such meeting or call, an action by written consent or otherwise, at the same time as such materials are furnished to the members of the applicable Governing Body, and (c) provide to each Observer copies of the minutes and resolutions of all such meetings and calls at the same time as such minutes and resolutions are furnished to the members of the applicable Governing Body. Presence of any Observer in a meeting of a Governing Body shall not be considered in determining a quorum for any meeting of such Governing Body or for any other purpose in connection with the validity or otherwise of any action taken by such Governing Body. A majority of the members of the applicable Governing Body may exclude any Observer from any meeting or portion thereof, or from receiving any materials if, it believes that (i) such exclusion is necessary to preserve attorney-client privilege or confidentiality or (ii) there exists, with respect to any such meeting or materials, an actual or potential conflict of interest between Holdings or the Governing Body, and the Administrative Agent, the Lenders or their affiliates or such Observer (including as to discussion or materials regarding the Term Loans or any Loan Documents). The Loan Parties hereby consent to the disclosure by an Observer to the Administrative Agent or any Lender, and the disclosure by the Administrative Agent to each of the Lenders, of all materials and other information received by an Observer in his or her capacity an Observer or otherwise pursuant to, or in connection with, this Section 6.21 subject to the confidentiality provisions of the Credit Agreement. The Loan Parties will pay, or will cause one of its Subsidiaries to pay, the reasonable out-of-pocket costs and expenses incurred by an Observer in the course of his or her service hereunder, including in connection with attending regular and special meetings of a Governing Body, or any of its committees, in each case, subject to the Loan Parties' policies and procedures with respect thereto (including the requirement of reasonable documentation thereof)."

SECTION 5. Representations and Warranties. Each of the Loan Parties, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Administrative Agent that:

(a) this Agreement and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Forbearance Effective Date and the agreements and obligations of Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Agreement nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Agreement;

(d) as of the date hereof and after giving effect to this Agreement, each of the representations and warranties of the Loan Parties set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Credit Agreement or any of the other Loan Documents other than the Specified Defaults.

SECTION 6. Acknowledgment of Debts; Guaranties and Liens.

(a) Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates that:

(i) as of the date hereof, the aggregate outstanding principal balance of the Obligations under the Loan Documents is $73,593,750.00;

(ii) as of the date hereof, the aggregate outstanding interest in respect of the Obligations under the Loan Documents is $545,468.29;

(iii) interest (including Default Interest) has accrued on the Obligations since October 1, 2017 under the Loan Documents and shall continue to accrue and be payable pursuant to the Loan Documents and such interest shall continue to accrue at the Default Rate following the date hereof and the Forbearance Effective Date; provided, that, notwithstanding the provisions of the Credit Agreement, the parties hereto acknowledge and agree that all Default Interest accruing as a result of the Specified Defaults (x) shall compound on each Interest Payment Date and (y) shall not be payable in cash until the earliest of (A) the Maturity Date, (B) the date on which the Obligations shall be accelerated in accordance with the Credit Agreement and (C) the first date following the Forbearance Effective Date on which the Loan Parties shall be in compliance with Section 6.1(b) of the Credit Agreement;

(iv) fees, late fees, reimbursable and indemnifiable amounts, and other amounts have accrued under each of the Loan Documents and shall continue to accrue and be payable pursuant to the Loan Documents;

(v) effective as of the Forbearance Effective Date, the Forbearance Fee will be paid by the Borrower by adding the amount of the Forbearance Fee payable to each Lender to the outstanding principal amount of the Term Loans held by each such Lender on the Forbearance Effective Date; and

(vi) all of the Obligations, including, without limitation, the Obligations described in the foregoing clauses (i) through (v), are (or, in the case of clause (v), from and after the Forbearance Effective Date will be) unconditionally owing by the Loan Parties to the Lenders and the Administrative Agent without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(i) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(ii) (x) to the validity, legality and enforceability of each of the Secured Liens on the assets and property of each of the Loan Parties pursuant to the Loan Documents; (y) that the reaffirmation of each of the Secured Liens is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of the Secured Liens and the Secured Liens shall remain in full force and effect until all the Obligations have been paid in full;

(iii) that each Loan Party hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Administrative Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Administrative Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Secured Liens or any of the Loan Documents;

(iv) that each Loan Party consents to the execution and delivery of this Agreement and agrees and acknowledges that the liability of each Loan Party under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Secured Liens, shall not be diminished in any way by the execution and delivery of this Agreement or by the consummation of any of the transactions contemplated hereby or thereby;

(v) that all notices required under the Loan Documents to be given by the Lenders or the Administrative Agent have been given by the Lenders or the Administrative Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(vi) except as expressly set forth herein, neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(vii) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent;

(viii) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(ix) neither any Lender nor the Administrative Agent is required to make any loan advance to any Loan Party under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Administrative Agent and subject to such conditions and the payment of such fees as each such Lender and the Administrative Agent requires in their sole discretion.

SECTION 7. Ratification; Waiver of Defenses; Indemnity and Release.

(a) The Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Loan Parties. Each of the Loan Parties, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Administrative Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Each of Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 7 shall be effective on the Forbearance Effective Date regardless of whether any post-Forbearance Effective Date conditions to this Agreement are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(c) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Agreement, any other Loan Document or any other document executed in connection with the transactions contemplated by this Agreement; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

(d) This Agreement shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a (other than as set forth in Section 4) waiver, modification or forbearance of, any term or condition of any of the Loan Documents or a waiver of any Default or Event of Default under any of the Loan Documents (including, without limitation, the Specified Defaults), whether or not known to a Lender or the Administrative Agent, or (ii) to prejudice any right or remedy which a Lender or the Administrative Agent may now have or have in the future under or in connection with the Loan Documents or any of the instruments or agreements referred to therein. Subject to the forbearance in respect of the Specified Defaults set forth in Section 1(b) and the amendments set forth in Section 4, the Loan Documents shall continue in full force and effect and are hereby ratified and confirmed.

(e) Each of Loan Parties expressly acknowledges the occurrence and continued existence of the Specified Defaults. The Loan Parties, jointly and severally, agree that each Lender and the Administrative Agent has no obligation (i) to grant the forbearance contemplated by this Agreement, (ii) to enter into discussions with the Loan Parties with regard to waiving the Specified Defaults, or (iii) to enter into any amendment or modification of the terms and provisions of any Loan Document, and any of the same shall be within the sole discretion of each Lender and the Administrative Agent. Each of the Loan Parties, jointly and severally, acknowledge and agree, as a condition of the Lenders and the Administrative Agent entering into this Agreement, that it shall not raise any claim, cause of action or defense based upon any allegations of failure of any Lender or the Administrative Agent to do or agree to do any of the foregoing, or failure of any Lender or the Administrative Agent to negotiate in good faith to accomplish any of the same.

SECTION 8. No Waiver; No Novation; Reservation of Rights.

(a) Neither any Lender nor the Administrative Agent has waived, nor is any Lender or the Administrative Agent by this Agreement waiving, and neither any Lender nor the Administrative Agent has any present intention of waiving, any Specified Default, any other Events of Default arising under the Loan Documents which may be continuing on the Forbearance Effective Date or any Events of Default arising under the Loan Documents which may occur after the Forbearance Effective Date (whether the same or similar to any Specified Default or otherwise), and nothing contained herein shall be deemed or constitute any such waiver.

(b) This Agreement is not intended to be, and shall not be deemed or construed to be, a satisfaction, reinstatement, novation, or release of the Loan Documents or any of the Obligations. Neither this Agreement nor any payments made or other actions taken pursuant to this Agreement shall be deemed to cure any defaults under any of the Loan Documents, it being the intention of the parties hereto that the Loan Parties are and shall remain in default and all Obligations are and shall remain immediately due and payable in full notwithstanding this Agreement.

(c) Subject to Section 1(b) and Section 4, each Lender and the Administrative Agent reserves the right, in their sole discretion, to exercise any or all rights or remedies under the Loan Documents, applicable law and otherwise as a result of any Specified Default, any other Events of Default arising under the Loan Documents that may be continuing on the Forbearance Effective Date or any Default or Event of Default arising under the Loan Documents that may occur after the Forbearance Effective Date, and neither any Lender nor the Administrative Agent has waived any of such rights or remedies and nothing in this Agreement, and no delay on any Lender's or the Administrative Agent's part in exercising such rights or remedies, should be construed as a waiver of any such rights or remedies. Upon the termination of the Forbearance Period, the agreement of the Lenders and the Administrative Agent to forbear and the other agreements of the Lenders and the Administrative Agent hereunder, in each case as set forth in Section 1(b) above, shall automatically and without further action terminate and be of no force and effect, it being understood and agreed that the effect of such termination will be to permit the Lenders and the Administrative Agent to exercise any and all of its rights and remedies at any time and from time to time thereafter, including, without limitation, the right to accelerate all or any portion of the Obligations, enforce the Secured Liens and exercise any other rights and remedies set forth in the Loan Documents, applicable law or otherwise.

(d) Notwithstanding anything to the contrary set forth herein (including, without limitation, the provisions of Section 1(b)), nothing in this Agreement shall prohibit, restrict or otherwise limit the right or ability of any Lender or the Administrative Agent to take any actions that a Lender or the Administrative Agent may take under the Loan Documents, at law, in equity or otherwise to preserve and protect any assets or properties of any Loan Party that are subject to the Secured Liens or the interests (including the Secured Liens) of the Lenders and the Administrative Agent in any such assets or properties, including, without limiting the generality of the foregoing, (i) the filing of actions, or the defending of or intervention in actions (such as foreclosure proceedings) brought by any person or entity (including any Loan Party), relating to any such assets or properties or the interests of the Lenders and the Administrative Agent therein, (ii) the sending of notices to any persons or entities concerning the existence of security interests or liens in favor of the Lenders and the Administrative Agent relating to any such assets or properties or (iii) the filing of financing statements, and the taking of any other required actions, to perfect or continue the perfection of the Secured Liens in such assets or properties.

(e) The Loan Parties acknowledge and agree that it shall be an immediate Event of Default under the Loan Documents if the Administrative Agent or the Lenders determine that (i) any Loan Party fails to comply with, or otherwise breaches, any of the obligations or undertakings of such Loan Party set forth in this Agreement or (ii) any representation or warranty of any Loan Party set forth herein fails to be true and correct in all respects.

SECTION 9. Further Assurances. Each Loan Party hereby agrees that each Loan Party shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Lenders or the Administrative Agent may reasonably request to effectuate the purposes and terms of this Agreement and each of the other Loan Documents, including, without limitation, any such instruments, assignments, conveyances or other documents as the Lenders or the Administrative Agent reasonably requests to perfect or continue the Secured Liens on any assets or properties of any Loan Party.

SECTION 10. Counterparts. This Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 12. Severability. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

SECTION 13. Governing Law. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS AGREEMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

SECTION 14. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses incurred in connection with the preparation and negotiation of this Agreement and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 15. Miscellaneous. The parties hereto shall, at any time and from time to time following the execution of this Agreement, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Agreement.

SECTION 16. Headings. Section headings in this Agreement are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 17. Entire Agreement. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Administrative Agent in respect of the subject matter hereof, and all prior drafts of this Agreement, are totally superseded and merged into this Agreement, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Loan Parties hereby acknowledges and agrees that the execution and delivery of this Agreement has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Agreement, the Loan Parties have not relied upon, any potential extension of the Forbearance Period.

*[The remainder of this page left blank intentionally]*

IN WITNESS WHEREOF, the Administrative Agent, the Lenders and each of the Loan Parties have caused this Agreement to be duly executed by its authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

WJCO LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**GUARANTOR:**

HYDROFARM CANADA, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as
Administrative Agent

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III
2016-2, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV
HOLDINGS SPV-2, LLC as Lender

By: Brightwood Capital Fund Managers
IV, LLC, as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III
HOLDINGS SPV-3, LLC, as Lender

By: Brightwood Capital Fund Managers
III, LLC, as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By /s/ Phil Daniele
Name: Phii Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV-U, LP,
as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as its General Partner

By /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[signature Page to Forbearance Agreement]*

**LENDER:**

CARLYLE GMS FINANCE MM CLO 2015-1
LLC, as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[signature Page to Forbearance Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[signature Page to Forbearance Agreement]*

**LENDER:**

MAIN STREET CAPITAL CORPORATION,
as Lender

By: /s/ Nick Meserve
Name: Nick Meserve
Title: Managing Director

*[signature Page to Forbearance Agreement]*

**LENDER:**

HMS INCOME FUND, INC., as Lender

DocuSigned by:
By: /s/ Alejandro Palomo
AFC3401F0B05403
Name: Alejandro Palomo
Title: Authorized Agent

*[signature Page to Forbearance Agreement]*

**SCHEDULE I**

Specified Defaults

**Exhibit 10.13**

**EXECUTION VERSION**

**AMENDMENT NO. 1 TO FORBEARANCE AGREEMENT**

This AMENDMENT NO. 1 FORBEARANCE AGREEMENT, dated as of July 16, 2018 (this "Amendment"), is made and entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), WJCO LLC, a Colorado limited liability company ("WJCO"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm, WJCO and EHH, collectively, the "Borrowers"), Hydrofarm Canada, LLC, a Delaware limited liability company, as a Guarantor, the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Forbearance Agreement (as defined below).

**RECITALS**

WHEREAS, the parties hereto have heretofore entered into that certain Credit Agreement, dated as of May 12, 2017 (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement"), by and among Holdings, the Borrowers, the Lenders and the Administrative Agent;

WHEREAS, the parties hereto have heretofore entered into that certain Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Forbearance Agreement"), by and among Holdings, the Borrowers, the Lenders and the Administrative Agent, in respect of the Credit Agreement;

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Forbearance Agreement as set forth herein; and

WHEREAS, the Forbearance Agreement Termination Date and various deliveries due on such date is July 15, 2018 which is not a Business Day, and the parties desire to clarify and confirm that all references to July 15, 2018 in the Forbearance Agreement and all deliveries due on such date are references to July 16, 2018 which is the Business Day following July 15, 2018.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment to Forbearance Agreement; Acknowledgement.

(a) Effective as of the Forbearance Amendment Effective Date, Section 1(b)(i) of the Forbearance Agreement is hereby amended by deleting the phrase "July 15, 2018" set forth therein and replacing such phrase with "August 15, 2018".

(b) The Loan Parties, the Administrative Agent and each Lender hereby acknowledge that the Forbearance Agreement Termination Date and various deliveries due on such date is July 15, 2018 which is not a Business Day. The parties hereto acknowledge and agree that all references to July 15, 2018 in the Forbearance Agreement and all deliveries due on such date are references to July 16, 2018 which is the Business Day following July 15, 2018.

SECTION 2. Acknowledgements of the Loan Parties.

(a) Each of the Loan Parties, jointly and severally, acknowledges and agrees that (i) the Specified Defaults have occurred and are continuing, and (ii) but for the terms of the Forbearance Agreement (as amended by this Amendment), the Lenders and the Administrative Agent may, if they so elect, exercise any and all rights and remedies that the Lenders or the Administrative Agent has under the Loan Documents, applicable law or otherwise in respect of the Specified Defaults.

(b) Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates that (i) except as expressly set forth in the Forbearance Agreement (as amended by this Amendment), neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents, (ii) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent, and (iii) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Forbearance Agreement or the Loan Documents.

SECTION 3. Conditions Precedent. This Amendment shall become effective and be deemed effective as of the date when, and only when, all of the following conditions have been satisfied as determined in the Administrative Agent's sole discretion (the date of such effectiveness being herein called the "Forbearance Amendment Effective Date"):

(a) the Administrative Agent shall have received an executed counterpart of this Amendment duly executed by each of the Loan Parties and each of the Lenders;

(b) the Revolving Loan Agent and each Revolving Loan Lender shall have entered into an amendment to the Revolving Loan Forbearance Agreement, and such amendment shall be in form and substance acceptable to the Administrative Agent in its sole discretion; and

(c) the Loan Parties shall have paid all costs and expenses of the Administrative Agent (including legal fees and expenses) incurred in connection with the preparation and execution of this Amendment and incident to all proceedings in connection with the transactions contemplated by, and documents relating to, this Amendment and the Loan Documents, which payment shall be nonrefundable.

SECTION 4. Representations and Warranties. Each of the Loan Parties, jointly and severally, represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Lenders and the Administrative Agent that:

(a) this Amendment and each other agreement to be executed and delivered in connection herewith has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Forbearance Amendment Effective Date and the agreements and obligations of Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(b) neither the execution, delivery and performance of this Amendment nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party;

(c) no consent of any person or entity (including, without limitation, any of its equity holders or creditors), and no action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Amendment;

(d) as of the date hereof and after giving effect to this Amendment, each of the representations and warranties of the Loan Parties set forth in the Forbearance Agreement and the Credit Agreement and the other Loan Documents are true and correct in all material respects, except to the extent such representations and warranties speak as to an earlier date, in which case the same are true, correct and complete as to such earlier date; and

(e) no Default or Event of Default exists under the Credit Agreement or any of the other Loan Documents other than the Specified Defaults.

SECTION 5. Ratification; Waiver of Defenses; Indemnity and Release.

(a) The Forbearance Agreement and the Loan Documents remain in full force and effect and are hereby ratified and affirmed by each of the Loan Parties. Each of the Loan Parties, jointly and severally, (i) confirms and agrees that it is truly and justly indebted to the Lenders and the Administrative Agent in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever; and (ii) reaffirms and admits the validity and enforceability of the Loan Documents.

(b) Each of Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 5 shall be effective on the Forbearance Amendment Effective Date regardless of whether any post-Forbearance Amendment Effective Date conditions to this Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(c) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Amendment, the Forbearance Agreement, any other Loan Document or any other document executed in connection with the transactions contemplated by this Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

SECTION 6. Counterparts. This Amendment may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Successors and Assigns. The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Severability. If any provision of this Amendment shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Amendment in any jurisdiction.

SECTION 9. Governing Law. **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK. ANY DISPUTE ARISING OUT OF OR CONCERNING THE TERMS OF THIS AMENDMENT SHALL BE RESOLVED IN A COURT OF COMPETENT JURISDICTION LOCATED IN NEW YORK COUNTY, NEW YORK, USA, WHICH SHALL BE THE EXCLUSIVE FORUM FOR THE RESOLUTION OF ANY SUCH DISPUTE.**

SECTION 10. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses incurred in connection with the preparation and negotiation of this Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 11. Miscellaneous. The parties hereto shall, at any time and from time to time following the execution of this Amendment, execute and deliver all such further instruments and take all such further action as may be reasonably necessary or appropriate in order to carry out the provisions of this Amendment.

SECTION 12. Headings. Section headings in this Amendment are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

SECTION 13. Entire Agreement. This Amendment embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreement and understandings relating to the subject matter hereof. All prior statements, representations and warranties, if any, of any Lender or the Administrative Agent in respect of the subject matter hereof, and all prior drafts of this Amendment, are totally superseded and merged into this Amendment, which represents the final and sole agreement of the parties hereto with respect to the matters which are the subject hereof. Each of the Loan Parties hereby acknowledges and agrees that the execution and delivery of this Amendment has not established any course of dealing between the parties hereto and that the parties hereto do not contemplate, and, in entering into this Amendment, the Loan Parties have not relied upon, any further potential extension of the Forbearance Period.

*[The remainder of this page left blank intentionally]*

IN WITNESS WHEREOF, the Administrative Agent, the Lenders and each of the Loan Parties have caused this Amendment to be duly executed by its authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

WJCO LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER, LLC

By:. /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**GUARANTOR:**

HYDROFARM CANADA, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as
Administrative Agent

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV, LP,
as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III
HOLDINGS SPV-3, LLC, as Lender

By: Brightwood Capital Fund Managers
III, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE
FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers
IV, LLC, as itsGeneral Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE
FUND IV-U, LP, as Lender

By: Brightwood Capital Fund Managers
IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Manging Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

MAIN STREET CAPITAL CORPORATION,
as Lender

By: /s/ Jason Beauvais
Name: Jason Beauvais
Title: SVP

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Authorized Agent

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**LENDER:**

CARLYLE GMS FINANCE MM CLO 2015-1
LLC, as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[Signature Page to Amendment No. 1 to Forbearance Agreement]*

**Exhibit 10.14**

WAIVER AND AMENDMENT NO. 1 TO CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment"), dated as of September 21, 2017, is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), WJCO LLC, a Colorado limited liability company ("WJCO"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm, WJCO and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

WITNESSETH:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, an Event of Default has occurred and is continuing under Section 7.1(c) of the Credit Agreement as a result of the failure by Holdings and the Borrowers to comply with the covenant set forth in Section 5.1(a) of the Credit Agreement by failing to deliver to the Administrative Agent a copy of the annual audited financial statements of the Acquired Company for the fiscal year ended December 31, 2016 (the "Audited 2016 Financial Statements") as and when required under such Section 5.1(a) (the "Specified Event of Default");

WHEREAS, Holdings and the Borrowers have requested that the Required Lenders agree to waive the Specified Event of Default;

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein to, among other things, extend the deadline for the delivery of the Audited 2016 Financial Statements under Section 5.1(a) of the Credit Agreement from June 30, 2017 until September 29, 2017;

WHEREAS, pursuant to Section 9.1 of the Credit Agreement, in order to effect the waiver of the Specified Event of Default and the amendment to the Credit Agreement contemplated by this Amendment, this Amendment must be approved by the Required Lenders; and

WHEREAS, the undersigned Lenders constitute the Required Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and 1 covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Limited Waiver. Holdings and the Borrowers acknowledge that the Specified Event of Default has occurred and is continuing, and represent and warrant that as of the date hereof, no Defaults or Events of Default have occurred and are continuing other than the Specified Event of Default. Subject to the satisfaction of the conditions set forth in Section 3 below, and in reliance on the representations and warranties set forth in Section 4 below, the Required Lenders hereby waive the Specified Event of Default; provided, that Holdings and the Borrowers deliver the Audited 2016 Financial Statements to the Administrative Agent in accordance with Section 5.1(a) of the Credit Agreement, as amended by this Amendment. This is a limited waiver and shall not be deemed to (a) waive, release, modify or limit the obligations of Holdings or any Borrower to otherwise comply with all terms and conditions of the Credit Agreement and the other Loan Documents, (b) waive any other existing or future Default or Event of Default, or (c) prejudice any right or remedy that the Administrative Agent or any Lender may have presently or in the future under or in connection with the Credit Agreement or any other Loan Document (all of which rights and remedies are expressly reserved), in each case, except at expressly provided herein. This waiver shall be effective only in this specific instance and for the specific purpose for which this waiver is given. This waiver shall not entitle Holdings nor any Borrower to any other or further waiver in any similar or other circumstances.

SECTION 2. Amendment. Section 5.1(a) of the Credit Agreement is hereby amended by:

(a) deleting the reference to "June 30, 2017" in the first line thereof and replacing such date with "September 29, 2017"; and

(b) deleting the phrase ", with comparative figures for the preceding fiscal year," in the fourth line thereof.

SECTION 3. Conditions Precedent. This Amendment shall only be effective upon the satisfaction of each of the following conditions precedent in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Required Lenders;

(b) all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the date hereof as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date; and

(c) after giving effect to this Amendment, no Default or Event of Default shall exist or have occurred and be continuing as of the date of this Amendment.

SECTION 4. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) after giving effect to this Amendment, as of the date of this Amendment, no Default or Event of Default exists or has occurred and is continuing;

(b) this Amendment and each other agreement to be executed and delivered in connection herewith or therewith (together with this Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the effective date hereof and the agreements and obligations of Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(c) as of the date of this Amendment, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the date hereof as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date; and

(d) neither the execution, delivery and performance of this Amendment or any other Amendment Document, nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party.

SECTION 5. Effect of this Amendment; Ratification.

(a) Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. Except as expressly set forth herein, this Amendment shall not operate as a waiver of any obligation of Holdings or any Borrower under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Amendment is not a novation or discharge of any of the obligations of Holdings or the Borrowers under the Credit Agreement and the other Loan Documents. This Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Amendment shall be read and construed as one agreement.

(b) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 6. Governing Law. This Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 8. Captions. The captions in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

SECTION 9. No Course of Dealing. Holdings and each Borrower acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 10. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

**[*Signature Pages Follow*]**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

WJCO LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title:President

EHH HOLDINGS, LLC

By /s/ Peter Wardenburg
Name: Peter Wardenburg
Title:President

SUNBLASTER, LLC

By /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as Administrative Agent

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorised Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III 2016-2, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Aithorized Peron

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

BCOF CAPITAL, LP, as Lender

By: BCOF Capital Managers, LLC,
as its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

MAIN STREET CAPITAL CORPORATION,
as Lender

By: /s/ Nick Meserve
Name: Nick Meserve
Title: Managing Director

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Authorized Agent

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**LENDER:**

CARLYLE GMS FINANCE MM CLO 2015-1 LLC,
as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 1 to Credit Agreement]*

**Exhibit 10.15**

**EXECUTION VERSION**

AMENDMENT NO. 2 TO CREDIT AGREEMENT

This AMENDMENT NO. 2 TO CREDIT AGREEMENT (this "Amendment"), dated as of November 8, 2017, is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), WJCO LLC, a Colorado limited liability company ("WJCO"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm, WJCO and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein;

WHEREAS, pursuant to Section 9.1 of the Credit Agreement, in order to effect the amendments to the Credit Agreement contemplated by this Amendment, this Amendment must be approved by the Required Lenders; and

WHEREAS, the undersigned Lenders constitute the Required Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments. Subject to the terms and conditions hereof, effective as of the Amendment No. 2 Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 2:

(a) The Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Annex A hereto; and

(b) Schedules 4.1 and 4.3 to the Credit Agreement are hereby amended by deleting such schedules in their entirety and replacing them with the schedules attached as Annex B hereof.

SECTION 2. Conditions Precedent. This Amendment shall only become effective upon the date (the "Amendment No. 2 Effective Date") on which each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Required Lenders;

(b) the Administrative Agent shall have received a fully executed copy of the Amended and Restated Loan and Security Agreement, dated as of the date hereof (the "Restated ABL Agreement"), among the Loan Parties, the other borrowers party thereto, the Revolving Loan Agent and the Revolving Loan Lenders, in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(c) the Administrative Agent shall have received a fully executed copy of the Amended and Restated Intercreditor Agreement, dated as of the date hereof (the "Restated Intercreditor Agreement"), between the Revolving Loan Agent and the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent;

(d) the Administrative Agent shall have received a fully executed copy of the Asset Purchase Agreement, dated October 20, 2017 (the "Asset Purchase Agreement"), between Greenstar Plant Products Inc., as vendor, GS Distribution Inc., as purchaser, and Hydrofarm, as guarantor, together with any escrow agreements or representation and warranty insurance entered into in connection therewith, each in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(e) the Administrative Agent shall have received the Draft Share Purchase Agreement (as defined in Annex A hereto), together with a certificate of a Responsible Officer of the Borrower Agent certifying that such Draft Share Purchase Agreement is a true, correct, and complete copy of the current draft of the Share Purchase Agreement (as defined in Annex A hereto);

(f) the acquisition by GS Distribution Inc. of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business (the "Asset Acquisition") shall have been, or substantially concurrently with the Amendment No. 2 Effective Date shall be, consummated in accordance with the Asset Purchase Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Administrative Agent;

(g) after giving effect to this Amendment, the Restated ABL Agreement and the Asset Acquisition and the transactions contemplated hereby and thereby, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 2 Effective Date as if made on the Amendment No. 2 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(h) after giving effect to this Amendment, the Restated ABL Agreement and the Asset Acquisition and the transactions contemplated hereby and thereby, no Default or Event of Default shall exist or have occurred and be continuing as of the Amendment No. 2 Effective Date;

(i) the Administrative Agent shall have received all joinders, instruments and other documentation required to be delivered pursuant to Section 5.9 of the Credit Agreement in connection with the Asset Acquisition, in form and substance reasonably satisfactory to the Administrative Agent;

(j) the Loan Parties shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of this Amendment and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Amendment and the Loan Documents, which payment shall be nonrefundable;

(k) the Administrative Agent shall have received a certificate, duly executed by a Responsible Officer of Borrower Agent, certifying as to the solvency on the Amendment No. 2 Effective Date, after giving effect to this Amendment, the Restated ABL Agreement and the Asset Acquisition and the transactions contemplated hereby and thereby, of Holdings and its Subsidiaries;

(l) each of the Asset Acquisition and the Share Acquisition shall be a Permitted Acquisition under the Credit Agreement (after giving effect to this Amendment);

(m) the Administrative Agent shall have received a certificate executed by a Responsible Officer or member of each Loan Party, certifying in the name of and on behalf of such Loan Party that (A) a true, correct and complete copy of its charter document, with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (B) a true, correct and complete copy of its operating agreement or bylaws, with all amendments thereto, is attached to the certificate, (C) a correct and complete copy of the resolutions of its members or shareholders authorizing the execution, delivery and performance of this Amendment are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (D) a certificate of good standing dated within a reasonably close period of time prior to the Amendment No. 2 Effective Date for such Loan Party issued by the Secretary of State or similar state official for the state in which such Loan Party is incorporated, formed or organized and (E) signature and incumbency certificates of its officers executing this Amendment, all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification; and

(n) the Administrative Agent shall have received a closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent that the conditions set forth in this Section 2 have been satisfied.

SECTION 3. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) after giving effect to this Amendment, the Restated ABL Agreement and the Asset Acquisition and the transactions contemplated hereby and thereby, as of the Amendment No. 2 Effective Date, no Default or Event of Default exists or has occurred and is continuing;

(b) this Amendment, the Restated ABL Agreement, the Restated Intercreditor Agreement and each other agreement to be executed and delivered in connection herewith or therewith (together with this Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Amendment No. 2 Effective Date and the agreements and obligations of Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(c) after giving effect to this Amendment, the Restated ABL Agreement and the Asset Acquisition and the transactions contemplated hereby and thereby, as of the Amendment No. 2 Effective Date, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 2 Effective Date as if made on the Amendment No. 2 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(d) neither the execution, delivery and performance of this Amendment, any other Amendment Document or the Asset Purchase Agreement, nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party;

(e) the Loan Parties have delivered to the Administrative Agent a complete and correct copy of the Asset Purchase Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other material documents delivered pursuant thereto or in connection therewith);

(f) the Loan Parties have delivered to the Administrative Agent a complete and correct copy of the Draft Share Purchase Agreement, which represents a true, correct, and complete copy of the current draft of the Share Purchase Agreement;

(g) the Asset Purchase Agreement is in full force and effect and has not been terminated, rescinded or withdrawn;

(h) each of the Asset Acquisition and the Share Acquisition constitute a Permitted Acquisition under the Credit Agreement (after giving effect to this Amendment);

(i) the consummation of the transactions contemplated by the Asset Purchase Agreement and Share Purchase Agreement will not violate any statute or regulation of the United States or Canada (including any securities law) or of any state, province or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Loan Party or Canadian Subsidiary or, to any Loan Party's knowledge, any other party to the Asset Purchase Agreement or Share Purchase Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Loan Party or Canadian Subsidiary is a party or by which any Loan Party or Canadian Subsidiary is bound or, to any Loan Party's Knowledge, to which any other party to the Asset Acquisition or Share Acquisition is a party or by which any such party is bound;

(j) to the Knowledge of the Loan Parties, the Asset Purchase Agreement was, and when entered into by the applicable parties thereto the Share Purchase Agreement will be, duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles; and

(k) each of the representations and warranties set forth in the Asset Purchase Agreement are, and when entered into by the applicable parties thereto, each of the representations and warranties in the Share Purchase Agreement will be, true and correct in all material respects.

SECTION 4. Effect of this Amendment; Ratification.

(a) Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 2 Effective Date and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. Except as expressly set forth herein, this Amendment shall not operate as a waiver of any obligation of Holdings, any Borrower or any other Loan Party under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Amendment is not a novation or discharge of any of the obligations of Holdings, the Borrowers or the other Loan Parties under the Credit Agreement and the other Loan Documents. This Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Amendment shall be read and construed as one agreement.

(b) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 5. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation and negotiation of this Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 6. Governing Law. This Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 8. Captions. The captions in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

SECTION 9. No Course of Dealing. Holdings, each Borrower and each other Loan Party acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 10. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

[***Signature Pages Follow***]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOL INGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

WJCO LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

EHH HOLDINGS, LLC

By: /s/ Peter War enburg
Name: Peter War enburg
Title: Manager

SUNBLASTER, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

*[Signature Page to Amendment No. 2 to Credit Agreement]*

ADMINISTRATIVE AGENT:

BRIGHTWOOD LOAN SERVICES LLC, as Administrative Agent

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 2 to Credit Agreement]*

LENDER:

BCOF CAPITAL, LP, as Lender

By: BCOF Capital Managers, LLC,
its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 2 to Credit Agreement]*

LENDER:

BRIGHTWOOD CAPITAL FUND III 2016-2, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 2 to Credit Agreement]*

LENDER:

BRIGHTWOOD CAPITAL FUND III HOLDINGS SPV-2, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 2 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, its General Partner

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 2 to Credit Agreement!*

**LENDER:**

MAIN STREET CAPITAL CORPORATION, as Lender

By: /s/ Nick Meserve
Name: Nick Meserve
Title: Managing Director

*[Signature Page to Amendment No. 2 to Credit Agreement]*

LENDER:

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Authorized Agent

*[Signature Page to Amendment No. 2 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 2 to Credit Agreement]*

**LENDER:**

CARLYLE GMS FINANCE MM CLO 2015-1 LLC, as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 2 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 2 to Credit Agreement]*

**LENDER:**

CARLYLE GMS FINANCE MM CLO 2015-1
LLC, as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Vice President

*[Signature Page to Amendment No. 2 to Credit Agreement]*

ANNEX A

Amended Credit Agreement

*ANNEX A*

**EXECUTION VERSION**
**Conformed Credit Agreement (Amendment No. ~~1~~2)**

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**CREDIT AGREEMENT**

**DATED MAY 12, 2017**
**and as amended by**
**Amendment No. 1 on September 21, ~~2017~~ 2017, and**
**Amendment No. 2 on November 8, 2017, and**

**BY AND AMONG**

**HYDROFARM HOLDINGS LLC**

**(to be succeeded as a Borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster LLC),**
**as Initial Borrower,**

**THE OTHER LOAN PARTIES WHICH ARE PARTY HERETO,**

**THE LENDERS WHICH ARE PARTY HERETO**

**AND**

**BRIGHTWOOD LOAN SERVICES LLC**
**as Administrative Agent**

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**CREDIT AGREEMENT**

This CREDIT AGREEMENT effective as of the 12th day of May, 2017, by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Initial Borrower" or "Holdings"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower hereunder by **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **WJCO LLC**, a Colorado limited liability company ("WJCO"), **EHH HOLDINGS, LLC** (" EHH"), a Delaware limited liability company and **SUNBLASTER, LLC**, a Delaware limited liability company ("SunBlaster")), the other Loan Parties party hereto, the Lenders now or hereafter parties hereto, and **BRIGHTWOOD LOAN SERVICES LLC**, in its capacity as Administrative Agent for the Lenders.

**WHEREAS**, the Borrowers have requested and the Lenders have agreed to provide, subject to the terms and conditions hereof, certain extensions of credit.

**NOW, THEREFORE**, in consideration of the terms and conditions contained herein, and of any loans or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by the Lenders and the Administrative Agent, the parties hereto agree as follows:

**ARTICLE I**
**DEFINITIONS AND OTHER TERMS**

**1.1 Defined Terms.** The following terms when used in this Agreement shall, except where the context otherwise requires, have the following meanings:

"Acquired Company" means, collectively, Hydrofarm and its Subsidiaries.

"Acquisition" means (whether by purchase, exchange, issuance of Equity Interests or Equity Interests Equivalents, merger, reorganization, joint venture or otherwise) a transaction or series of transactions resulting, directly or indirectly, in (a) the acquisition by a Borrower or its Subsidiaries of all or a substantial portion of a business, **unit,** division or substantially all assets of a Person, (b) the record or beneficial ownership by a Borrower or its Subsidiaries of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary of a Borrower or its Subsidiaries, (c) the merger, **amalgamation,** consolidation or combination of a Borrower or a Subsidiary with another Person (other than a Person that is already a Subsidiary), or (d) any other business combination by a Borrower or its Subsidiaries with any Person to effect any of the transactions referred to in clauses (a), (b) or (c) above.

"Acquisition Documents" means the Hydrofarm Acquisition Agreement, and all other agreements, instruments, deeds, assignments, bills of sale, affidavits, certificates and closing statements executed and delivered by and/or to Holdings or a Borrower, as applicable, to effect the Hydrofarm Acquisition.

"Adjusted Consolidated EBITDA" means, for any Test Period, the sum of Consolidated EBITDA for such Test Period calculated on a Pro Forma Basis.

"Administrative Agent" means Brightwood Loan Services LLC, as Administrative Agent for the Lenders, or any successor Administrative Agent hereunder.

"Administrative Questionnaire" means an administrative questionnaire to be completed and provided to the Administrative Agent in form and substance as provided by the Administrative Agent.

"Affiliate" means, respect to a specified Person, (a) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, and (b) solely with respect to Sections 6.7, 8.8, 9.5, 9.9, 9.14 and 9.18, any officer or director of such Person. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings. For purposes of this definition, a Person shall be deemed to Control another Person if the Controlling Person owns or controls directly or indirectly ten percent (10%) or more of the shares of stock, other Equity Interests or Equity Interests Equivalents or voting powers of the Controlled Person. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party or any of their respective Subsidiaries.

"Agreement" means this Credit Agreement as originally executed and as amended, modified or supplemented from time to time.

**"Amendment No. 2" means that certain Amendment No. 2 to Credit Agreement, dated as of November 8, 2017, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.**

**"Amendment No. 2 Effective Date" has the meaning specified in Amendment No. 2.**

"Applicable Margin" means (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans.

"Approved Fund" means any Fund that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

**"Asset Acquisition" means the acquisition by GSD of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business for a purchase price of $8,873,926 pursuant to and in accordance with the Asset Purchase Agreement.**

**"Asset Acquisition Earnout Amount" means the amount of the Earnout Obligations which are paid by a Loan Party or any Subsidiary of a Loan Party; provided that commencing on the first day of the month following the first full month after the payment of such Earnout Obligations and on the first day of each month thereafter, such amount shall be reduced by 1/12$^{th}$ of the amount paid until reduced to $0.**

**"Asset Acquisition Earnout Obligations" means any obligation of any Subsidiary of Holdings to pay a deferred purchase price with respect to the Asset Acquisition pursuant to Section 2.6 of the Asset Purchase Agreement (as in effect on the Amendment No. 2 Effective Date).**

"Asset Disposition" means any sale, lease, license, consignment, transfer or other disposition of Property by any Person, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

**"Asset Purchase Agreement" means the asset purchase agreement dated October 20, 2017 among Greenstar Plant Products Inc., as vendor, GSD, as purchaser, and Hydrofarm, as guarantor.**

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 9.9(b).

"Assumption Agreement" means that certain Borrower/Guarantor Assumption Agreement, dated as of the Closing Date, among Initial Borrower, Hydrofarm, WJCO, EHH, SunBlaster and the Administrative Agent.

"Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) the sum of (x) the LIBOR Rate calculated for each such day based on an Interest Period of one month determined two (2) Business Days prior to such day, plus (y) 1%. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate, as the case may be.

"Base Rate Loan" means any Term Loan accruing interest by reference to the Base Rate.

"**BIA" means the Bankruptcy and Insolvency Act (Canada).**

**"**Borrower" means (a) at any time prior to the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Initial Borrower, and (b) upon and at any time after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, each of Hydrofarm, WJCO, EHH and SunBlaster.

"Borrower Agent" shall have the meaning set forth in Section 2.11.

"Brightwood" means Brightwood Loan Services LLC and any Affiliate thereof.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York, New York and, if such day relates to an event, a transaction or a notice in respect of a LIBOR Rate Loan, a day which is also a day on which dealings in U.S. Dollar deposits are carried out in the London interbank market.

"Call Premium" means (i) 2.0% during the period from the Closing Date through and including the first anniversary of the Closing Date, (ii) 1.0% during the period from and including the date after the first anniversary of the Closing Date through and including the date that is 18 months following the Closing Date and (iii) thereafter, 0%, in each case of the principal amount of the Term Loans prepaid in accordance with Sections 2.1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7) during such period.

"**Canadian Acquisitions" means the Asset Acquisition and the Share Acquisition.**

**"Canadian Defined Benefit Pension Plan" means a Canadian Pension Plan which contains a "defined benefit provision" as defined in subsection 147.1(1) of the Income Tax Act (Canada).**

**"Canadian Employee Plan" means any employee benefit plan, policy, program, agreement or arrangement, including retirement, pension, profit sharing, employment, bonus or other incentive compensation, retention, stock purchase, equity or equity-based compensation, deferred compensation, change in control, severance, sick leave, vacation, loans, salary continuation, hospitalization, health, life insurance, educational assistance or other fringe benefit or perquisite plan, policy, agreement which is or was sponsored, maintained or contributed to by, or required to be contributed to by, a Canadian Subsidiary, or with respect to which a Canadian Subsidiary has, or could reasonably be expected to have, any obligation or liability, contingent or otherwise, but excluding the Canada Pension Plan, Quebec Pension Plan and any provincial or federal program providing health benefits, employment insurance or workers' compensation benefits.**

**"Canadian Multi-Employer Plan" means each multi-employer plan, within the meaning of the Regulations under the Income Tax Act (Canada).**

**"Canadian Pension Plan" means a "registered pension plan," as defined in the Income Tax Act (Canada) and any other pension plan maintained or contributed to by, or to which there is or may be an obligation to contribute by, any Canadian Subsidiary in respect of its Canadian employees or former employees, excluding, for greater certainty, a Canadian Multi-Employer Plan.**

**"Canadian Purchase Agreements" means the Share Purchase Agreement and the Asset Purchase Agreement.**

**"Canadian Subsidiary" means EWGS, Eddi, GSD, Sunblaster Canada and any other direct or indirect Subsidiary of Holdings or any Borrower that is organized under the laws of Canada or a province of Canada.**

"Capital Expenditures" means (a) all expenditures made and capitalized by Holdings, the Loan Parties, and their Subsidiaries for property, plant, equipment, other fixed assets (including any such expenditures by way of Acquisition of a Person or by way of incurrence or assumption of Indebtedness or other obligations, to the extent reflected as plant, property, equipment or other fixed assets), research and development or other long-term assets, but in each case excluding any portion of the purchase price paid with respect to any Permitted Acquisition plus, (b) deposits made in anticipation of the purchase of such property, plant, equipment, other fixed assets, research and development or other long-term assets less such deposits previously included, less (c)(i) Net Cash Proceeds of Asset Dispositions received from Asset Dispositions permitted pursuant to Section 6.4 which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (ii) Net Cash Proceeds of property insurance policies received which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (iii) capitalized trade-ins of equipment that is worn, damaged or obsolete with equipment of like function and value, and (iv) Capital Expenditures financed with the Net Cash Proceeds of common Equity Interests (that are Qualified Equity Interests) issued by Holdings.

"Capital Lease" means, with respect to any Person, a lease of (or other agreement conveying the right to use) real and/or personal property, which obligation is, or in accordance with GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) is required to be, classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligations" means, for any period for which the amount thereof is to be determined, any obligation of such Person to pay rent or other amounts under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Casualty Event" means any event that gives rise to the receipt by any Loan Party of any insurance proceeds (including business interruption insurance proceeds) or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon).

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

"Change in Law" means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, order, policy, rule, regulation or treaty, (b) any change in any law, order, policy, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means the occurrence of any of the following: (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all Equity Interests in a Borrower or any other Loan Party, (b) Sponsor and Co-Investor, collectively, cease to directly or indirectly (x) own and control, beneficially and of record, at least 50.1% of the Equity Interests of Holdings, or (y) possess the right to elect (through contract, ownership of voting securities or otherwise) at all times a majority of the board of directors (or similar governing body) of Holdings or to direct the management policies and decisions of Holdings, (c) Sponsor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Holdings representing at least 50% of the voting power and 50% of the economic interest represented by the Equity Interests of Holdings held by Sponsor on the Closing Date, or (d) any "change of control" (or similar term) under the Revolving Loan Facility, the Revolving Loan Documents or any Subordinated Indebtedness, while outstanding, shall have occurred.

"Closing Date" means May 12, 2017.

"Closing Equity Contribution" shall mean the contribution of cash by the Sponsor and Co-Investor to Holdings, together with the rollover of equity by certain holders of Equity Interests in the Acquired Company into Equity Interests of Holdings, on or prior to the Closing Date in exchange for the issuance to the Sponsor, the Co-Investor and such rollover investors of Qualified Equity Interests of Holdings in an aggregate amount equal to at least 40.0% of the sum of (i) total funded Indebtedness used to fund the Hydrofarm Acquisition and the Refinancing (including, without limitation the Term Loans and the initial borrowings of Revolving Loans under the Revolving Loan Documents on the Closing Date and (ii) the aggregate amount of equity contributions to Holdings hereinabove described.

"Co-Investor" means collectively, (i) Aaron Serruya, Michael Serruya, Simon Serruya, and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (ii) Serruya Private Equity and its Controlled Investment Affiliates, and (iii) BCM X3 Holdings, LLC and its Controlled Investment Affiliates.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all present and future assets and properties of the Borrowers and the Guarantors, whether real or personal, tangible or intangible, in which Liens are granted or purported to be granted pursuant to the Security Documents; provided, that Collateral shall not include any Excluded Assets.

"Colorado Property" means that certain Real Property located at 4200 East 50th Avenue in Denver, Colorado.

"Colorado Property Sale-Leaseback" means any sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property.

"Commitment" means, for each Lender, the aggregate amount of such Lender's commitment to fund Term Loans as set forth opposite of such Lender's name under the heading "Commitment" on **Schedule I** or as set forth in an Assignment and Assumption Agreement delivered pursuant to Section 9.9(b), as such amount may be modified from time to time pursuant to the terms hereof.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate in substantially the form set forth as **Exhibit E**, completed and signed by a Responsible Officer of the Borrower Agent.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Amortization Expense" means the amount of amortization expense deducted in determining Consolidated Net Income.

"Consolidated Depreciation Expense" means the amount of depreciation expense deducted in determining Consolidated Net Income.

"Consolidated EBITDA" means, for any period for which the amount thereof is to be determined, an amount equal to Consolidated Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Expense during such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash during such period in connection with the Hydrofarm Acquisition, this Agreement, the Loan Documents and the Revolving Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) the aggregate amount of all Permitted Management Fees paid or accrued with respect to such period,

(viii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory),

(ix) transaction fees, costs, and expenses incurred in such period in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed **(x) $750,000 in any twelve-month period that includes the Amendment No. 2 Effective Date and (y)** $500,000 in any twelve-month period **that does not include the Amendment No. 2 Effective Date**,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Responsible Officer of the Borrower Agent, and (y) reasonably expected by the Borrower to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),

(xii) other non-recurring fees and expenses approved by Administrative Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "EBITDA" under the Revolving Loan Agreement pursuant to clause (a)(xii) of the definition of "EBITDA" set forth in the Revolving Loan Agreement,

and minus (b) to the extent added in calculating such Consolidated Net Income, the aggregate amount of:

(i) any non-cash gains during such period arising from the sale of capital assets,

(ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and

(iii) any non-cash extraordinary gains during such period.

Notwithstanding the foregoing, the Consolidated EBITDA for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Consolidated EBITDA" on **Schedule 1.1**.

"Consolidated Fixed Charges" means, for any period for which the amount thereof is to be determined, the sum, without duplication of (a) Consolidated Interest Expense (other than payment-in-kind interest expense), and (b) the principal amount of all scheduled principal payments made on Indebtedness (other than Revolving Loans) of Holdings, the Borrowers and their Subsidiaries, in each case, for such period.

Notwithstanding the foregoing, the Consolidated Fixed Charges for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Consolidated Fixed Charges" on **Schedule 1.1**.

"Consolidated Interest Expense" means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any fiscal period, the consolidated net income (or loss) of Holdings, the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, a Borrower or any of their Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of their Subsidiaries from such Person during such period,

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of their Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of their Subsidiaries,

(c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and

(d) the cumulative effect of a change in accounting principles.

"Consolidated Tax Expenses" means federal, state**, provincial** and local income tax expenses of Holdings, the Borrowers and their Subsidiaries.

"Contingent Obligation" means any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Indebtedness, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co-making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of nonperformance by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

"Controlled Investment Affiliate" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Conversion" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Credit Loan" means, individually or collectively, a Base Rate Loan or a LIBOR Rate Loan.

"Debt Issuance" means the issuance by any Loan Party or any of their Subsidiaries of any Indebtedness.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States of America or other applicable jurisdictions from time to time in effect.

"Default" means any Event of Default and any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Interest" shall have the meaning set forth in Section 2.1(e)(2).

"Default Rate" means a simple interest rate per annum equal to the sum of the otherwise then applicable interest rate plus two percent (2%). With respect to amounts bearing interest at the Default Rate, for purposes of the foregoing sentence, the words "otherwise then applicable interest rate" shall be deemed to mean the Base Rate plus the Applicable Margin with respect to Base Rate Loans or the LIBOR Rate plus the Applicable Margin with respect to LIBOR Rate Loans, as applicable.

"Defaulting Lender" means, subject to Section 2.9(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Term Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower Agent in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, (b) has notified the Borrower Agent or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower Agent, to confirm in writing to the Administrative Agent and the Borrower Agent that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower Agent), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.9(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower Agent and each Lender promptly following such determination.

"Disqualified Equity Interests" means any Equity Interest that, by its terms (or by the terms of any Equity Interests or Equity Interests Equivalent into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition,

(a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Term Loans and all other Obligations that are accrued and payable),

(b) provides for the scheduled payments of dividends in cash,

(c) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests of the applicable Person and except as permitted by clause (a) above), in whole or in part, or

(d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests or Equity Interests Equivalents that would constitute Disqualified Equity Interests, in the case of each of clauses (a), (b), (c) and (d) hereof, prior to the date that is 180 days after the Maturity Date at the time of issuance;

provided that if such Equity Interests or Equity Interests Equivalents are issued pursuant to a plan for the benefit of future, current or former employees, directors, or officers of Holdings, a Borrower or its Subsidiaries or by any such plan to such employees, directors or officers, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by Holdings, a Borrower or any Subsidiary in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's, director's or officer's termination, death or disability.

"Dollars" or "$" means the basic unit of the lawful currency of the United States of America.

"ECF Liquidity" means, as of any date of determination, (i) the aggregate amount of cash and cash equivalents on hand of Holdings, the Borrowers and their Subsidiaries as of such date plus (ii) the "Availability" (as defined in the Revolving Loan Documents) as of such date.

"ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"ECP Rules" means the final rules issued jointly by the Commodity Futures Trading Commission and the Securities and Exchange Commission as published in 77 FR 30596 (May 23, 2012), as may amended, modified or replaced from time to time.

"**Eddi" means Eddi's Wholesale Garden Supplies Ltd, a British Columbia company.**

"Eligible Assignee" means any Person (other than a natural person) that meets the requirements to be an assignee under Section 9.9 (subject to such consents, if any, as may be required under Section 9.9(b)); provided, that, no Defaulting Lender shall be an Eligible Assignee

"Environmental Laws" means any applicable Laws (including programs, permits and guidance promulgated by regulators) relating to public health (other than occupational safety and health regulated by the Occupational Safety and Hazard Act of 1970) or the protection or pollution of the environment, including CERCLA, the Resource Conservation and Recovery Act and the Clean Water Act **and any similar Laws of any foreign jurisdiction**.

"Environmental Notice" means a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"Environmental Release" means a release as defined in CERCLA or under any other Environmental Law.

"Equity Cure Contribution" has the meaning set forth in Section 6.1(c).

"Equity Interests" means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial, partnership or membership interests, joint venture interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Equity Interests Equivalents" means all securities convertible into or exchangeable for Equity Interests and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any Equity Interests, whether or not presently convertible, exchangeable or exercisable.

"Equity Issuance" means any sale or issuance of any Equity Interests or Equity Interests Equivalents of a Borrower or any direct or indirect parent of a Borrower or the contribution to the capital of a Borrower or any direct or indirect parent of a Borrower, in each case, the proceeds of which are contributed to the common equity of a Borrower or any of its Subsidiaries.

"Equity Prepay Expiration Date" means the 30$^{th}$ day following the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations promulgated and rulings issued thereunder and under the Code, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" means any Person, including Affiliates or Subsidiaries of the Loan Parties, that is a member of any group of organizations or a controlled group of trades or businesses, as described in Sections 414(b), 414(c), 414(m) or 414(o) of the Code or Section 4001 of ERISA, of which any of the Loan Parties or any of their respective Subsidiaries is a member.

"ERISA Event" means any of (a) a Reportable Event with respect to a Pension Plan, (b) a withdrawal of a Loan Party or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, (c) a complete or partial withdrawal by any Loan Party or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization, (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the institution of proceedings by the PBGC to terminate a Pension Plan, (e) the determination that any Pension Plan is considered an at-risk plan or a plan in critical or endangered status under the Code or ERISA, (f) an event or condition that constitutes grounds under Section 4042 of ERISA for termination of, or appointment of a trustee to administer, any Pension Plan, (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Loan Party or ERISA Affiliate, or (h) the failure by any Loan Party or ERISA Affiliate to meet all applicable requirements under the Pension Funding Rules in respect of a Pension Plan, whether or not waived, or to make a required contribution to a Multiemployer Plan.

"Event of Default" means any Event of Default described in Article VII.

"**EWGS" means EWGS Distribution Inc., a British Columbia company.**

**"**Excess Cash Flow" means, for any Excess Cash Flow Period, without duplication:

(a) the sum, without duplication, of:

(i) Consolidated EBITDA for such Excess Cash Flow Period;

(ii) the decrease, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period; and

(iii) to the extent not otherwise provided in this clause (a), any other cash receipts received by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period;

(b) minus, the sum, without duplication, of:

(i) the amount of any Consolidated Tax Expense paid or payable by the Borrowers and their Subsidiaries in cash with respect to such Excess Cash Flow Period and the amount of any Tax Distributions made in cash with respect to such Excess Cash Flow Period;

(ii) Consolidated Interest Expense for such Excess Cash Flow Period;

(iii) the increase, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period;

(iv) cash used for Capital Expenditures and Permitted Acquisitions (including with respect to fees and expenses and, with respect to any Permitted Acquisition, cash consideration that is payable upon the closing of such Permitted Acquisition pursuant to any letter of intent or definitive purchase agreement with respect to such Permitted Acquisition to which a Borrower or any of its Subsidiaries is a party), in each case to the extent financed with Internally Generated Funds;

(v) the aggregate amount of all scheduled amortization payments of Indebtedness of the Borrowers and their Subsidiaries to the extent funded with Internally Generated Funds;

(vi) Permitted Management Fees and Restricted Payments pursuant to Sections 6.10(b)(i) and 6.10(b)(iii), in each case, paid in cash in accordance with the Loan Documents during such Excess Cash Flow Period;

(vii) to the extent paid in cash, the add-backs in clauses (a)(v), (a)(ix), (a)(x), (a)(xi) and (a)(xii) of the definition of Consolidated EBITDA; and

(viii) to the extent not already deducted in calculating Consolidated EBITDA and not otherwise provided in this clause (b), any other cash expenses paid by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period.

"Excess Cash Flow Period" means (i) the period from and including the Closing Date through and including December 31, 2017 and (ii) each subsequent fiscal year of the Borrowers commencing with the fiscal year ending on December 31, 2018. For the avoidance of doubt, with respect to any mandatory prepayment under Section 2.1(g)(3), the applicable Excess Cash Flow Period shall be the mostly recently ended Excess Cash Flow Period ending prior to the date of such mandatory prepayment.

"Excluded Accounts" means, with respect to any Loan Party, any deposit account used solely for (i) payroll and accrued payroll expenses, (ii) tax payments, (iii) employee benefit accounts and/or (iv) petty cash and other accounts in the aggregate not exceeding $100,000 for all such accounts.

"Excluded Assets" means (i) any Excluded Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by a Loan Party of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest, (iii) any Equity Interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of a Loan Party, (y) that the granting of a Lien therein is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Loan Parties in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar Equity Interests of such Foreign Subsidiary which are entitled to vote, (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code or any other applicable law or principles of equity, (v) upon the written consent of the Administrative Agent, any Equity Interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of a Loan Party, if the terms of the Organic Documents of such pledged entity do not permit the grant of a security interest in such Equity Interests by the owner thereof or the applicable Loan Party has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Organic Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by the Administrative Agent in its sole discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents), (vii) any Excluded Real Property; provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the Uniform Commercial Code (including Sections 9-406, 9-407 and 9-408 thereof) or other applicable law (including any Debtor Relief Law) or principles of equity, (b) so as to limit, impair or otherwise affect the Administrative Agent's unconditional continuing Liens upon any rights or interests of any Loan Party in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any accounts receivable), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

"Excluded Real Property" means any Real Property acquired by a Loan Party after the Closing Date with an individual value less than $1,000,000.

"Excluded Swap Obligation" means, with respect to a Borrower, any Affiliate of a Borrower or a Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Borrower, such Affiliate or such Guarantor of, or the grant by such Borrower, such Affiliate or such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Borrower's, such Affiliate's or such Guarantor's failure for any reason not to constitute an "Eligible Contract Participant" as defined in Section 1a(18) of the Commodity Exchange Act (and the regulations thereunder), as further defined and modified by the ECP Rules (determined after giving effect to Section 9.20 and any other keepwell, support or other agreement for the benefit of such Borrower, such Affiliate or such Guarantor and any and all Guarantees of such Borrower's, such Affiliate's or such Guarantor's Swap Obligations by any other Borrower, Affiliate or the Guarantor), at the time the applicable Swap Obligation was entered into and at such other relevant time as provided in the ECP Rules or any other applicable law and to the extent that the providing of such Guarantee or the granting of such security interest by such Borrower, such Affiliate or such Guarantor would violate the ECP Rules or any other applicable law. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guarantee or Lien is or becomes excluded in accordance with the first sentence of this definition.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Term Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Term Loan or Commitment (other than pursuant to an assignment request by the Borrower Agent under Section 9.19), or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 10.1(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 10.1(e) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Extraordinary Receipts" means any cash received by or paid to or for the account of any Loan Party or any of their Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in any of clause (4), (5) or (6) of Section 2.1(g)), including without limitation tax refunds, insurance proceeds, indemnification payments (other than such indemnification payments to the extent that the amounts so received are applied by a Loan Party or its Subsidiary, as applicable, or are reimbursement or payment on behalf of a Loan Party or its Subsidiary, as applicable, for costs incurred for the purpose of replacing, repairing or restoring any assets or properties of a Loan Party or its Subsidiary or reimbursement for settlement costs, thereby satisfying the condition giving rise to the claim for indemnification, or reimbursement or indemnification for costs, or otherwise covering losses arising as a result of the circumstances giving rise to the underlying claims, or any out-of-pocket expenses incurred by any Loan Party or any of their Subsidiaries in obtaining such payments or the payment of taxes arising thereunder) and purchase price adjustments (other than working capital and other similar adjustments) made pursuant to the Hydrofarm Acquisition**, any Canadian Acquisition** or any other Permitted Acquisition; provided, that Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than $350,000.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any intergovernmental agreement and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code.

"Federal Funds Effective Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing reasonably selected by it.

"Fee Letter" means that certain fee letter, dated as of April 10, 2017, among (x) the Initial Borrower, (y) immediately after giving effect to the Hydrofarm Acquisition and execution and delivery of the Assumption Agreement, Hydrofarm, WJCO, EHH and SunBlaster and (z) the Administrative Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for payment of the fees described therein.

"Financial Covenants" the covenants, agreements and obligations set forth in Sections 6.1(a) and 6.1(b).

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio, determined for the most recent four consecutive fiscal quarters ending on or prior to such date of determination (subject to the immediately following sentence) of: (a) Consolidated EBITDA for such period minus (i) all Capital Expenditures for such period (other than Capital Expenditures funded or financed with any Indebtedness other than Revolving Loans), minus (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Tax Distributions during such period, minus (iii) all Restricted Payments made in cash during such period, minus (iv) all Permitted Management Fees paid in cash pursuant to the Management Agreements during such period**, minus (v) the Asset Acquisition Earnout Amount**; to (b) Consolidated Fixed Charges for such period.

Notwithstanding the foregoing, the aggregate sum of clauses (a)(i), (a)(ii), (a)(iii) and (a)(iv) above for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Fixed Charge Coverage Ratio Amounts" on **Schedule 1.1**.

"Flood Insurance Laws" collectively, (i) National Flood Insurance Reform Act of 1994 (which comprehensively revised the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973) as now or hereafter in effect or any successor statute thereto, (ii) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto and (iii) the Biggert-Waters Flood Insurance Reform Act of 2012 as now or hereafter in effect or any successor statute thereto.

"Foreign Lender " means, with respect to any Borrower (a) if such Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Plan" means any employee benefit plan or arrangement (a) maintained or contributed to by any Loan Party or Subsidiary that is not subject to the laws of the United States **or Canada**, or (b) mandated by a government other than the United States **or Canada** for employees of any Loan Party or Subsidiary.

"Foreign Subsidiary" means, with respect to any Person, a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

**"FSCO" means the Financial Services Commission of Ontario or like body in Canada or in any other province or territory or jurisdiction of Canada with whom a Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered in accordance with Law and any other Governmental Authority succeeding to the functions thereof.**

**"**Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time; provided, that no change in the accounting principles used in the preparation of any financial statement hereafter adopted by a Borrower or any other Loan Party shall be given effect for purposes of measuring compliance with any provision of this Agreement unless the Borrower Agent, Administrative Agent and the Required Lenders agree to modify such provisions to reflect such changes in GAAP and, unless such provisions are modified, all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP; provided, further that no effect shall be given to any change in GAAP that would require leases of the type classified as operating leases under GAAP as in effect on the Closing Date to be classified or reclassified as capitalized leases. Notwithstanding the foregoing, pursuant to Section 5.6, books and records shall be kept in accordance with GAAP commencing July 1, 2017. All references in this Agreement to "in accordance with GAAP" for any time preceding July 1, 2017 shall be deemed to be "on a tax basis".

"Governmental Authority" means any federal, **provincial,** state, local, **municipal,** foreign or other agency, authority, body, commission, **board, bureau,** court, **tribunal,** instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority **or a province or territory thereof or a foreign entity or government** (including the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or the European Central Bank).

**"GSD" means GS Distribution Inc., a British Columbia company.**

"Guarantee(s)" means all direct and indirect guarantees, sales with recourse, endorsements (other than for collection or deposit in the ordinary course of business) and other obligations (contingent or otherwise, including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) by any Person to pay, purchase, repurchase or otherwise acquire or become liable upon or in respect of any Indebtedness of any other Person, and, without limiting the generality of the foregoing, all obligations (contingent or otherwise) by any Person to purchase products, supplies or other property or services for any Person under agreements requiring payment therefor regardless of the non-delivery or non-furnishing thereof, or to make investments in any other Person, or to maintain the capital, working capital, solvency or general financial conditions of any other Person, or to indemnify any other Person against and hold him harmless from damages, losses and liabilities, all under circumstances intended to enable such other Person or Persons to discharge any Indebtedness or to comply with agreements relating to such Indebtedness or otherwise to assure or protect creditors against loss in respect of such Indebtedness. The amount of any Guarantee shall be deemed to be the amount of the Indebtedness of, or damages, losses or liabilities of, the other Person or Persons in connection with which the Guarantee is made or to which it is related unless the obligations under the Guarantee are limited to a determinable amount, in which case the amount of such Guarantee shall be deemed to be such determinable amount. The term "Guarantee" as a verb has a corresponding meaning. For the avoidance of doubt, the keepwell provided by a Borrower, any Affiliate of Borrower or any Guarantor in Section 9.20 shall constitute a Guarantee.

"Guarantor(s)" means, collectively, (i) Holdings, (ii) any Subsidiary that becomes a Guarantor in accordance with Section 5.9, and (iii) any other Person who executes and delivers a Guaranty of the Obligations, jointly and severally.

"Guaranty" means, individually or collectively, as the case may be, the Guaranty made by the Guarantors in favor of Administrative Agent for the benefit of the Secured Parties in form substantially as attached hereto as **Exhibit B**.

"Historical Financial Statements" means reviewed financial statements of Hydrofarm, Inc. for the fiscal year ending December 31, 2015, unaudited financial statements of Hydrofarm, Inc for the fiscal year ending December 31, 2016 and unaudited financial statements of Hydrofarm, Inc. for the two months ending February 28, 2017.

"Holdings" means Hydrofarm Holdings LLC, a Delaware limited liability company.

"Hydrofarm" means Hydrofarm, LLC, a California limited liability company, which is the successor to Hydrofarm, Inc., a California corporation, as a result of the Reorganization and the Conversion.

"Hydrofarm Acquisition" means the Acquisition by Holdings of all of the Equity Interests of Hydrofarm on the date hereof pursuant to and in accordance with the Hydrofarm Acquisition Agreement.

"Hydrofarm Acquisition Agreement" means that certain Securities Purchase Agreement dated as of April 10, 2017 by and among Holdings, Hydrofarm, Hydrofarm, Inc. Employee Stock Ownership Plan and Trust and the Wardenburg 2009 Family Trust, as the same may be amended, supplemented and otherwise modified from time to time in accordance with the terms hereof.

"Impacted Loans" has the meaning set forth in Section 10.3(b).

"Indebtedness" means, as to any Person at a particular time, without duplication, the following: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) the maximum amount (after giving effect to any prior drawings or reductions that may have been reimbursed) of all letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person, (c) net obligations of such Person under any Swap Contract, (d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts and accrued expenses payable in the ordinary course of business and (A) not overdue by more than 90 days or (B) to the extent overdue by more than 90 days (but not more than 270 days) are being Properly Contested, (ii) any earn-out obligation to the extent such obligation is not required to be reflected on such Person's balance sheet in accordance with GAAP, (iii) accruals for payroll and other liabilities accrued in the ordinary course of business), (e) indebtedness in respect of the foregoing (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, (f) all Capital Lease Obligations, (g) all obligations of such Person in respect of Disqualified Equity Interests, (h) the principal balance of synthetic leases or other off-balance sheet financing arrangements, (i) all Contingent Obligations of such Person, and (j) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, except to the extent such Person's liability for such Indebtedness is otherwise limited and only to the extent such Indebtedness would be included in the calculation of consolidated Indebtedness. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) (to the extent that such Indebtedness is non recourse to such Person for amounts in excess of the value of the property securing such Indebtedness) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value (as determined by such Person in good faith) of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Parties" has the meaning specified in Section 9.5.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Borrower or Guarantor under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Initial Borrower" has the meaning specified in the preamble to this Agreement.

"Initial ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Insolvency Proceeding" means any voluntary or involuntary case or proceeding commenced by or against a Person under any state, federal**, provincial** or foreign law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code of the United States of America, or any other insolvency, debtor relief or debt adjustment ~~law~~**or arrangement law, including the BIA, the Companies' Creditors Arrangement Act (Canada) and the Winding-up and Restructuring Act (Canada)**, (b) the appointment of a receiver, **interim receiver, monitor,** trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property, or (c) an assignment or trust mortgage for the benefit of creditors.

"Intellectual Property" means (i) all intellectual and similar Property of a Person, including inventions, designs, **industrial designs,** patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases, (ii) all embodiments or fixations thereof and all related documentation, applications, registrations and franchises, (iii) all licenses or other rights to use any of the foregoing, and (iv) all books and records relating to the foregoing.

"Intellectual Property Claim" means any claim or assertion (whether in writing, by suit or otherwise) that a Loan Party's or Subsidiary's ownership, use, marketing, sale or distribution of any inventory, equipment, Intellectual Property or other Property violates another Person's Intellectual Property.

"Intercreditor Agreement" means that certain **Amended and Restated** Intercreditor Agreement, dated as of ~~the date hereof,~~**November 8, 2017,** between the Revolving Loan Agent and the Administrative Agent, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

"Interest Payment Date" has the meaning set forth in Section 2.1(e)(3)(C).

"Interest Period" means with respect to any LIBOR Rate Loan, the period commencing on the date the relevant Term Loan is made and ending on the date which is one (1), two (2) or three (3) months thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the date the relevant Term Loan is made and each subsequent one (1), two (2) or three (3) month period thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto. For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding date in the next calendar month. Notwithstanding the foregoing, however, (i) any applicable Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any applicable Interest Period which begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period is to end shall (subject to clause (i) above) end on the last day of such calendar month, and (iii) no Interest Period shall extend beyond the Maturity Date or such earlier date as would interfere with the Borrowers' repayment obligations hereunder. There shall not be more than five (5) different Interest Periods with respect to LIBOR Rate Loans hereunder at any one time.

"Internally Generated Funds" means funds not constituting the proceeds of any Indebtedness, Debt Issuance, Equity Issuance, Asset Disposition or Casualty Event (in each case, without regard to the exclusions from the definitions thereof).

"Investment" means, with respect to any Person, any loan, advance or extension of credit (other than to customers in the ordinary course of business) by such Person to, or any Guarantee or other contingent liability with respect to the capital stock, Indebtedness or other obligations of, or any contributions to the capital of, any other Person, or any ownership, purchase or other acquisition by such Person of any interest in any capital stock, limited partnership interest, general partnership interest, or other securities of any such other Person, other than an Acquisition; and "Invest," "Investing" or "Invested" means the making of an Investment.

"IRS" means the United States Internal Revenue Service.

"Knowledge" of the Loan Parties means the actual knowledge of any Responsible Officer of any Loan Party.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each Person that has a Commitment or holds an outstanding Term Loan, from time to time. As of the Closing Date, the "Lenders" consist of the Persons set forth on **Schedule I**.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower Agent and the Administrative Agent.

"LIBOR Rate" means, for any Interest Period with respect to any LIBOR Rate Loan, the greater of (a) the offered rate per annum for deposits of dollars for the applicable Interest Period (as defined below) that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day in each Interest Period and (b) the offered rate per annum for deposits of dollars for an Interest Period of 3 months that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day of the applicable Interest Period. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Lenders at which deposits of dollars in immediately available funds are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination; provided, that if no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Administrative Agent at which deposits of dollars in immediately available funds with a term equal to three months are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination.

"LIBOR Rate Loan" means a Term Loan accruing interest at the LIBOR Rate.

"License" means any license or agreement under which a Loan Party is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

"Lien" means, with respect to any interest in Property (whether real, personal or mixed and whether tangible or intangible) (a) any interest or right which secures the payment of Indebtedness or an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest is based on common law, statute or contract, and whether or not choate, vested or perfected, including any such interest or right arising from a mortgage, charge, pledge, negative pledge or other agreement not to lien or pledge, assignments, security interest, conditional sale, levy, execution, seizure, attachment, garnishment, conditional sale, Capital Lease or trust receipt, or arising from a lease, consignment or bailment given for security purposes, and (b) any exception to or defect in the title to or ownership interest in such Property, including reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way, restrictive covenants, leases and licenses. For purposes of this Agreement, a Borrower or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Liquidity" means, as of any date of determination, (i) the cash-on-hand of the Borrowers and their Subsidiaries plus (ii) the "Availability" (as defined in the Revolving Loan Documents) as of such date.

"Loan Document(s)" means, individually or collectively, as the case may be, this Agreement, the Fee Letter, any Notes, the Guaranty, the Assumption Agreement, each Security Document, the Intercreditor Agreement and all other documents, agreements and certificates executed or delivered in connection with or contemplated by this Agreement or any other document evidencing or securing a Term Loan, each as may be amended, modified or supplemented from time to time.

"Loan Party" means each Borrower and each Guarantor.

"Major Asset Disposition" means a sale, transfer or other disposition of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions.

"Management Agreements" means, collectively, the (a) Management Agreement dated the Closing Date between Hawthorn Equity Partners, Inc. and Holdings, and (b) Management Agreement dated the Closing Date between JAMS Holdings LLC and Holdings, in each case, as the same may be amended, modified, supplemented and/or restated to the extent permitted under this Agreement.

"Managers" means, collectively, Hawthorn Equity Partners, Inc. and JAMS International LLC.

"Master Agreement" has the meaning set forth in the definition of Swap Contract.

"Material Adverse Effect" means the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could be reasonably expected to have a material adverse effect on the business, operations, Properties, or financial condition of any Loan Party, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on any Collateral, (b) impairs the ability of a Loan Party to perform its obligations under the Loan Documents, including repayment of any Obligations, or (c) otherwise impairs the ability of the Administrative Agent or any Lender to enforce or collect any Obligations or to realize upon any Term Loan Priority Collateral or any other material Collateral.

"Material Contract" means, other than the Hydrofarm Acquisition Agreement**, the Canadian Purchase Agreements** and the Loan Documents~~.~~**,** any agreement or arrangement to which Holdings, any Loan Party or any of their Subsidiaries is party (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933, (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect, or (c) that relates to either (x) Subordinated Indebtedness or (y) Indebtedness, in the case of this clause (y), in an aggregate amount of $1,000,000 or more.

"Maturity Date" means May 12, 2022.

"Moody's" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which a Loan Party or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Cash Proceeds" means:

(a) with respect to any Asset Disposition, issuance of Equity Interests, receipt of Extraordinary Receipts or Casualty Event by or of a Borrower or any Subsidiary, the cash proceeds (including, when received, any deferred or escrowed payments) as and when received by a Loan Party or Subsidiary in cash from such disposition and/or such receipt (as applicable) (including cash proceeds received pursuant to policies of insurance (including business interruption insurance)), net of (i) reasonable and customary costs and expenses actually incurred in connection therewith, including legal, accounting and investment banking fees and sales commissions, (ii) amounts applied to repayment of Indebtedness secured by a Permitted Lien senior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on Collateral sold (with respect to an Asset Disposition), (iii) transfer or similar taxes paid (together with any Tax Distributions made to pay any such transfer or similar taxes) as a result of any applicable Asset Disposition, and (iv) reasonable and customary reserves for indemnities in connection with any applicable Asset Disposition, until such reserves are no longer needed; and

(b) with respect to any issuance of debt securities or other incurrence of Indebtedness (other than Indebtedness incurred in accordance with Section 6.2), the aggregate cash proceeds received by Holdings, a Borrower or any Subsidiary pursuant to such issuance or receipt, net of the reasonable and customary direct costs paid as a result thereof relating to such issuance.

"Net Working Capital" means the total current assets (excluding cash and cash equivalents) of the Borrowers and their Subsidiaries minus the total current liabilities (excluding current portion of any Indebtedness under this Agreement and the current portion of any other long-term Indebtedness which would otherwise be included therein (including Capital Lease Obligations), current interest and current taxes) of the Borrowers and their Subsidiaries, determined in accordance with GAAP.

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 9.1 and (b) has been approved by the Required Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Note(s)" means, individually or collectively, as the case may be, (a) the Notes (as defined in Section 2.1(a)), and (b) such other promissory notes accepted by the Lenders in exchange for or in substitution of any such Notes.

"Notice of Borrowing" means the notice in the form of **Exhibit C** attached hereto to be delivered to the Administrative Agent pursuant to Section 2.1 or such other form as may be reasonably approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer of the Borrower Agent.

"Obligations" means (i) all Term Loans, debts, liabilities, payment and performance obligations, covenants and duties of every kind, nature and description owing by the Borrowers or the Guarantors to the Administrative Agent, the Lenders or any Lender of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether direct or indirect (including those acquired by permitted assignment or participation), absolute or contingent, liquidated or unliquidated, due or to become due, now existing or hereafter arising and however acquired, and (ii) all Rate Hedging Obligations owing at any time or from time to time by the Borrowers or the Guarantors, or any of them, to the Lenders, any Lender or any Affiliate of any Lender (excluding, as to any Borrower or Guarantor, any Excluded Swap Obligations). The term includes all principal, interest, fees, charges, expenses, reasonable attorneys' fees, and any other sum chargeable (including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) to the Borrowers or the Guarantors under this Agreement or any other Loan Document or in connection with any Rate Hedging Obligation.

"Ordinary Course of Business" means the ordinary course of business of any Loan Party or Subsidiary, undertaken in good faith and consistent with applicable Law and past practices.

"Organic Documents" means, with respect to any Person, its charter, certificate or articles of incorporation or formation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, **articles of association,** voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, enforced any Loan Document.

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are imposed with respect to an assignment (other than an assignment made pursuant to Section 10.6).

"Outside Date" means May 12, 2017.

"Partial ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Payment Item" means each check, draft or other item of payment payable to Loan Party, including those constituting proceeds of any Collateral.

**"PBA" means the Pension Benefits Act (Ontario) or any other Canadian federal or provincial or territorial pension benefit standards legislation pursuant to which any Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered.**

**"**PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Funding Rules" means the Code and ERISA rules regarding minimum required contributions (including installment payments) to Pension Plans set forth in, for plan years ending prior to the Pension Protection Act of 2006 effective date, Section 412 of the Code and Section 302 of ERISA, both as in effect prior to such act, and thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"Pension Plan" any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Loan Party or ERISA Affiliate or to which the Loan Party or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

"Permitted Acquisition" means any Acquisition to the extent that each of the following conditions is satisfied with respect to such Acquisition:

(a) no Default or Event of Default exists on the date of the consummation of such Acquisition or would result therefrom;

(b) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Borrowers shall be in compliance with all of the Financial Covenants for the most recently ended Test Period;

(c) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00;

(d) **unless such Acquisition is the Asset Acquisition,** the assets, business or Person being acquired had pro forma positive EBITDA for the 12 month period most recently ended;

(e) either (x) the assets, business or Person being acquired is located or organized within the United States or (y) the aggregate purchase price payable in respect of such Acquisition (together with the aggregate purchase price paid or payable in respect of all other Acquisitions consummated after the Closing Date in which the assets, business or Person acquired was located or organized outside the United States) does not exceed $~~15,000,000~~**23,480,950**;

(f) neither a Loan Party or any of their respective Subsidiaries shall, in connection with any such Acquisition and/or series of related Acquisitions, assume or remain liable with respect to any Indebtedness of the related sellers or the business, Person or properties acquired, except to the extent permitted by Sections 6.2(e) and 6.3(i);

(g) the Persons or businesses to be acquired shall be, or shall be engaged in, a business of the type that the Borrowers and their Subsidiaries are permitted to be engaged in under the Loan Documents and, to the extent required by the Security Documents, the Collateral acquired in connection with any such Acquisition and/or series of related Acquisitions shall be made subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties in accordance with the Security Documents (having the priority set forth in the Intercreditor Agreement) and the Loan Parties shall otherwise comply with the terms of the Loan Documents relating to additional guarantees and further assurances;

(h) the Acquisition has been approved by the board of directors (or other equivalent governing body) of the Person to be acquired;

(i) with respect to such Acquisition or any series of related Acquisitions, the Borrower Agent shall have provided the Administrative Agent with (i) in each case only if made available to a Borrower prior to the consummation of such transaction, historical financial statements for the last three fiscal years of the Person or business to be acquired and unaudited financial statements thereof for the most recent interim period that is available, (ii) a reasonably detailed description of all material information relating thereto and copies of all material documentation pertaining to such transaction, (iii) a Compliance Certificate after giving pro forma effect to such Permitted Acquisition on a Pro Forma Basis, and (iv) to the extent that the aggregate purchase price payable in respect of such Acquisition is greater than or equal to $15,000,000, a quality of earnings report prepared for the Borrower Agent by an independent certified accounting firm of nationally recognized standing reasonably acceptable to the Administrative Agent;

(j) at least ten (10) Business Days prior to the proposed date of consummation of each such Acquisition **(or in the case of the Asset Acquisition, on the Amendment No. 2 Effective Date)**, the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that such Acquisition and related series of Acquisitions complies with this definition (which shall have attached thereto reasonably detailed backup data and calculations showing such compliance); and

(k) such Acquisition or any series of related Acquisitions shall be permitted under the Revolving Loan Facility and the Revolving Loan Documents.

"Permitted Affiliate Sub Debt" means (x) Indebtedness of Holdings to a Related Party and (y) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to a Related Party, Indebtedness of the Borrower Agent to Holdings, in each case, that (a) is unsecured,

(b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

"Permitted Colorado Property Sale-Leaseback" means a sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property so long as (i) such sale-leaseback transaction is consummated on or prior to the date that is six (6) months following the Closing Date, (ii) no Default or Event of Default exists on the date of the consummation of such sale-leaseback transaction or would result therefrom, and (iii) after giving effect to such sale-leaseback transaction on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00.

"Permitted Contingent Obligations" means Contingent Obligations (a) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business, (b) arising from Swap Contracts permitted hereunder, (c) existing on the Closing Date and set forth on **Schedule 6.2**, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed, (d) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations, (e) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Property permitted hereunder, (f) arising under the Loan Documents, (g) arising under the Revolving Loan Documents to the extent permitted by the Revolving Loan Facility and the Intercreditor Agreement, (h) arising as a result of an unsecured Guaranty by Holdings of the Indebtedness, Real Property lease or other obligation of a Loan Party permitted by this Agreement (provided, that if any such Indebtedness, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to the Administrative Agent and the Lenders as compared to the subordination terms applicable to such Indebtedness, lease or other obligations), or (i) in an aggregate amount of $3,000,000 or less at any time.

"Permitted Discretion" means a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured term loan lender).

"Permitted Indebtedness" has the meaning set forth in Section 6.2.

"Permitted Investment" means any of the following Investments made by the Borrower or any of its Subsidiaries in any Person: (i) Investments in Subsidiaries to the extent existing on the Closing Date and set forth on **Schedule 6.6**, (ii) cash equivalents that that are subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and the Administrative Agent's control (subject to the Intercreditor Agreement), (iii) Permitted Acquisitions, (iv) Investments consisting of bank deposits in the Ordinary Course of Business, (v) Investments consisting of contributions of capital or asset transfers to the Borrower or any Wholly Owned Loan Party, so long as no Change of Control occurs as a result thereof, (vi) Investments consisting of (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business, (b) prepaid expenses and extensions of trade credit made in the Ordinary Course of Business, (c) deposits with financial institutions permitted hereunder, (d) intercompany loans by the Borrower or a Wholly Owned Loan Party to the Borrower or a Wholly Owned Loan Party, and (e) non-cash loans consisting of promissory notes from officers, directors and employees for the purchase of newly issued Equity Interests of Holdings, so long as no Change of Control occurs thereby, (vii) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts, (viii) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby, ~~and~~ (ix) so long as no Default or Event of Default has occurred and is continuing, **to the extent funded by borrowings under the Revolving Loan Agreement, Investments in connection with the Asset Acquisition in an aggregate amount not to exceed $8,873,926 so long as the proceeds of such Investments are promptly used to consummate the Asset Acquisition, (x) so long as no Default or Event of Default has occurred and is continuing, to the extent funded by borrowings under the Revolving Loan Agreement, Investments in connection with the Share Acquisition in an aggregate amount not to exceed the Net Cash Proceeds received by the Loan Parties from a Permitted Colorado Property Sale-Leaseback so long as the proceeds of such Investments are promptly used to consummate the Share Acquisition, (xi) so long as no Default or Event of Default has occurred and is continuing,** other Investments by a Loan Party or Subsidiary (including Investments by a Loan Party or Subsidiary in Foreign Subsidiaries) in an aggregate amount not to exceed $5,000,000 at any one time outstanding**, and (xii) in the case of a Canadian Subsidiary, Canadian cash equivalents**.

"Permitted Lien" has the meaning set forth in Section 6.3.

"Permitted Management Fees" means the fees, in an aggregate amount not in excess of $850,000 per fiscal year, payable by the Borrowers to the Managers pursuant to the Management Agreements, as in effect on the Closing Date or as amended in accordance with Section 6.9(c).

"Permitted Purchase Money Debt" means Purchase Money Debt of the Loan Parties and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount of Permitted Purchase Money Debt outstanding does not exceed $1,000,000 at any time.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited partnership, limited liability company, **unlimited liability company,** association, trust or other entity or organization, whether acting in an individual, fiduciary or other capacity, or any government or political subdivision thereof or any agency, department or instrumentality thereof.

"Plan" means each employee benefit plan (as defined in Section 3(3) of ERISA) whether now in existence or hereafter instituted, of, or contributed to by, any Loan Party or any of their Subsidiaries or any of their respective ERISA Affiliates.

"Prime Rate" means the rate of interest quoted in *The Wall Street Journal* (or another national publication reasonably selected by the Administrative Agent) as the U.S. "Prime Rate."

"Pro Forma Basis" means, with respect to compliance with any financial performance test hereunder for the applicable Test Period, in respect of any Specified Transaction, the making of such calculation after giving pro forma effect to:

(a) the consummation of such Specified Transaction as of the first day of the applicable Test Period, as if such Specified Transaction had been consummated on the first day of such Test Period;

(b) the assumption, incurrence or issuance of any Indebtedness by Holdings or any of its Subsidiaries (including any Person which becomes a Subsidiary pursuant to or in connection with such Specified Transaction) in connection with such Specified Transaction, as if such Indebtedness had been assumed, incurred or issued (and the proceeds thereof applied) on the first day of such Test Period (with any such Indebtedness bearing interest during any portion of the applicable Test Period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness incurred during such Test Period);

(c) the costs and expenses of any target that have not been assumed by Holdings or any of its Subsidiaries shall be disregarded to the extent such costs and expenses are reasonably identifiable, factually supportable and certified by a Responsible Officer, and any (i) cost and expenses of any such target that have been assumed in any Specified Transaction and (ii) incremental recurring costs and expenses incurred in connection with any Specified Transaction shall, in the case of each of (i) and (ii) be calculated as if such costs and expenses were assumed on the first day of such Test Period; and

(d) with respect to any Colorado Property Sale-Leaseback, the incurrence of any lease, rental or other payment obligations by Holdings or any of its Subsidiaries in connection with such Colorado Property Sale-Leaseback, as if such lease, rental or other payment obligations had been incurred on the first date of such Test Period (and as if such payments had been paid during such Test Period);

with clauses (a) through (d) calculated in a manner consistent with GAAP and the definition of Consolidated EBITDA and subject to, the limitations set forth in the definition of Consolidated EBITDA, including adjustments for restructuring charges or reserves and non-recurring integration costs.

"Proceeding" has the meaning ascribed to it in Section 9.5.

"Properly Contested" means, with respect to any obligation of a Loan Party or Subsidiary, (a) the obligation is subject to a bona fide dispute regarding amount or the Loan Party' or Subsidiary's liability to pay, (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued, (c) appropriate reserves have been established in accordance with GAAP, (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Loan Party or Subsidiary, (e) no Lien is imposed on assets of the Loan Party or Subsidiary, unless bonded and stayed to the satisfaction of the Administrative Agent, and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, and any right in respect of any of the foregoing.

"Purchase Money Debt" means (a) Indebtedness (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets, (b) Indebtedness (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof, and (c) any renewals, extensions or refinancings (but not increases) thereof; provided, that, in no event shall the amount of Purchase Money Debt exceed the purchase price of the assets being financed in respect thereof.

"Purchase Money Lien" means a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Indebtedness and constituting a Capital Lease or a purchase money security interest under the Uniform Commercial Code **or the Personal Property Security Act of British Columbia or similar legislation of any other Canadian jurisdiction**.

"Qualified ECP Guarantor" means, at any time, each Borrower, Affiliate of Borrower or Guarantor with total assets exceeding $10,000,000 or that qualifies at such time as an "eligible contract participant" under the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" at such time under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Qualified Equity Interests" means any Equity Interests or Equity Interests Equivalents that are not Disqualified Equity Interests.

"Qualifying Issuance" means an issuance and sale for cash by Holdings, on or prior to the Equity Prepay Expiration Date, of common Equity Interests of Holdings that are Qualified Equity Interests.

"Rate Hedging Obligations" means any and all obligations of the Borrowers, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under Swap Contracts which are entered into or maintained by any Borrower, Guarantor or any of their Affiliates with the Administrative Agent or a Lender or an Affiliate of the Administrative Agent or a Lender and which are not prohibited by the express terms of the Loan Documents.

"Real Property" means all real property or interests therein wherever situated owned or ground (or space) leased by a Borrower or any other Loan Party or any of their respective Subsidiaries.

"Recipient" means the Administrative Agent or any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower or Guarantor hereunder.

"Refinancing" has the meaning ascribed to it in Section 2.1(a).

"Refinancing Conditions" means the following conditions (a) for Refinancing Debt (other than with respect to the extending, renewing or refinancing of Indebtedness arising under the Revolving Loan Facility): (i) it is in an aggregate principal amount that does not exceed the principal amount of the Indebtedness being extended, renewed or refinanced, (ii) it has a final maturity no sooner than, a weighted average life no less than, and an interest rate no greater than, the Indebtedness being extended, renewed or refinanced, (iii) it is subordinated to the Obligations at least to the same extent as the Indebtedness being extended, renewed or refinanced, (iv) the representations, covenants and defaults applicable to it are no less favorable to the Loan Parties than those applicable to the Indebtedness being extended, renewed or refinanced, (v) no additional Lien is granted to secure it, (vi) no additional Person is obligated on such Indebtedness, and (vii) upon giving effect to it, no Default or Event of Default exists, or (b) for Refinancing Debt that is extending, renewing or refinancing Indebtedness arising under the Revolving Loan Facility, such Indebtedness is extended, renewed or refinanced in accordance with and to the extent permitted by the terms and provisions of the Intercreditor Agreement.

"Refinancing Debt" means Indebtedness that is the result of an extension, renewal or refinancing of Permitted Debt permitted under Section 6.2(b), (d), (e) or (g).

"Register" has the meaning ascribed to it in Section 9.9(d).

"Regulation D," "Regulation T," "Regulation U" and "Regulation X" means Regulation D, Regulation T, Regulation U and Regulation X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Related Agreements" means the Hydrofarm Acquisition Agreement, **the Canadian Purchase Agreements,** the Management Agreements and all agreements, instruments and documents executed or delivered in connection therewith.

"Related Indemnified Party" has the meaning ascribed to it in Section 9.5.

"Related Parties" means the Sponsor or any of Holdings' other equity holders as of the Closing Date and, in each case, their Controlled Investment Affiliates.

"Remaining ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Reorganization" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Reportable Event" any event set forth in Section 4043(c) of ERISA, other than an event for which the thirty (30) day notice period has been waived.

"Required Lenders" means Lenders holding more than fifty percent (50%) of the aggregate outstanding principal amount of the Term Loans; provided that if there are at least two Lenders (treating Lenders that are Affiliates of one another as a single Lender for the purposes of this proviso), "Required Lenders" must include at least two Lenders. The Commitments and Loans of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Resignation Effective Date" has the meaning specified in Section 8.13.

"Responsible Officer" means the chief executive officer, president, senior vice president, senior vice president (finance), vice president, chief financial officer, treasurer, manager of treasury activities or assistant treasurer or other similar officer or Person performing similar functions of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant secretary of a Loan Party. To the extent requested by the Administrative Agent, each "Responsible Officer" will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance reasonably satisfactory to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. Unless otherwise specified, all references herein to a "Responsible Officer" shall refer to a Responsible Officer of the Borrower Agent.

"Restricted Payment" means (a) any declaration or payment of a distribution, interest or dividend on, any payment on account of, or any setting apart assets for a sinking or other analogous fund for, any Equity Interest or Equity Interests Equivalents, (b) any distribution, advance or repayment of any Indebtedness to a direct or indirect holder of Equity Interests or Equity Interests Equivalents, (c) any purchase, redemption, or other acquisition or retirement for value of, or any setting apart assets for a sinking or other analogous fund for the purchase, redemption, or other acquisition or retirement for value of, any Equity Interest or Equity Interests Equivalents or (d) any management fees paid to the Manager, the Sponsor, the Co-Investor or any of their respective Affiliates.

"Revolving Loan Agent" means Bank of America N.A., in its capacity as administrative agent and collateral agent under the Revolving Loan Facility, and its successors and assigns.

"Revolving Loan Agreement" has the meaning assigned to that term in the definition of "Revolving Loan ~~Documents~~**Facility**".

"Revolving Loan Documents" has the meaning assigned to the term "Revolving Loan Documents" in the Intercreditor Agreement.

"Revolving Loan Facility" means (i) that certain **Amended and Restated** Loan and Security Agreement, dated as of ~~the date hereof,~~**November 8, 2017,** as may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, among the Loan Parties, **the other borrowers party thereto,** the Revolving Loan Agent and the Revolving Loan Lenders (the "Revolving Loan Agreement"), and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Indebtedness or other financial accommodation that has, subject to the limitations set forth herein and in the Intercreditor Agreement, been incurred by the Loan Parties to increase, extend, replace or refinance in whole or in part the Indebtedness and other obligations outstanding under (x) the **Amended and Restated** Loan and Security Agreement referred to in clause (i) or (y) any subsequent Revolving Loan Facility, unless such agreement or instrument expressly provides that it is not intended to be and is not an Revolving Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Revolving Loan Facility hereunder shall be deemed a reference to any Revolving Loan Facility then in existence.

"Revolving Loan Lenders" has the meaning assigned to the term "Revolving Loan Lenders" in the Intercreditor Agreement.

"Revolving Loan Maximum Amount" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loan Obligations" shall mean the "Obligations" as such term is defined in the Revolving Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

"Revolving Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loans" means the "Revolver Loans" made pursuant to and as defined in the Revolving Loan Facility or any equivalent term used to describe the revolving loans (including any swingline loans, overadvances and protective advances made thereunder and in connection therewith).

"SBIA" means the Small Business Investment Act of 1958, as amended.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor to the rating agency business thereof.

"SDN List" has the meaning set forth in Section 4.27.

"Second ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Secured Parties" means, collectively, with respect to each of the Security Documents, the Administrative Agent, the Lenders, and each Affiliate of the Administrative Agent or any Lender, which Affiliate is party to any Rate Hedging Obligations and each agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.10.

"Security Agreement" means a Security Agreement dated as of the Closing Date, entered into by the Borrowers and the Guarantors in favor of the Administrative Agent for the benefit of the Secured Parties, as it may be amended, modified, restated or replaced from time to time.

"Security Documents" means and refer to the Security Agreement, the Perfection Certificate (as defined in the Security Agreement), the Guarantees and each other assignment, pledge or security agreement, instrument, certificate, financing statements, filings or document pursuant to which any Borrower, any Guarantor or any other Person shall grant or convey to the Administrative Agent or the Lenders a Lien in Collateral as security for all or any portion of the Obligations, whether now or hereafter in existence, as said agreements or documents may be amended, modified, restated or replaced from time to time, each in form and substance reasonably satisfactory to the Administrative Agent.

**"Share Acquisition" means the acquisition by EWGS of substantially all of the Equity Interests of Eddi for a purchase price of $14,607,024 pursuant to and in accordance with the Share Purchase Agreement.**

**"Share Purchase Agreement" means the share purchase agreement to be entered into among EWGS, as purchaser, and More or Les Ventures Ltd., a corporation incorporated under the laws of the Province of British Columbia, as seller, and Ed Les, an individual resident in the Province of British Columbia, as guarantor, in the form delivered and certified to Administrative Agent on the Amendment No. 2 Effective Date pursuant to the Amendment No. 2 (the "Draft Share Purchase Agreement"), together with any modifications, supplements, amendments or waivers to the Draft Share Purchase Agreement that either (x) are not adverse to the Lenders in their capacities as such or (y) are consented to in writing by the Required Lenders.**

"Solvent" means, as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities), (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured, (c) is able to pay all of its debts as they mature, (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage, (e) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code of the United States of America **and, in the case of any Canadian Subsidiary, is not an "insolvent person" within the meaning of the BIA**, and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

"Specified Loan Party" means any Borrower, Affiliate of Borrower or Guarantor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to Section 9.20).

"Specified Acquisition Agreement Representations" means such of the representations and warranties made by or in respect of Hydrofarm, the Acquired Company, the Seller (as defined in the Hydrofarm Acquisition Agreement) or the Stockholders (as defined in the Hydrofarm Acquisition Agreement) in the Hydrofarm Acquisition Agreement, but only to the extent that the Initial Borrower (or any of its Affiliates) have the right to terminate its obligations to consummate the Hydrofarm Acquisition under the Hydrofarm Acquisition Agreement (or the right to not consummate the Hydrofarm Acquisition pursuant to the Hydrofarm Acquisition Agreement) (in each case, in accordance with the terms thereof) as a result of a breach of such representations and warranties in the Hydrofarm Acquisition Agreement (determined without regard to whether any notice is required to be delivered under the Hydrofarm Acquisition Agreement).

"Specified Representations" means the representations and warranties of the Loan Parties in Sections 4.1 (solely with respect to (x) the first sentence thereof (other than with respect to qualifications to do business as a foreign corporation) and (y) the third sentence thereof), 4.2, 4.4, 4.6(i), 4.7, 4.10, 4.11, 4.12, 4.13, 4.15, 4.20, 4.24 (solely with respect to the consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement being not in violation of any statute, regulation, order, judgment or decree), 4.26 (other than, in the case of the second sentence thereof, with respect to the perfection of the Lien in respect of any Collateral that, pursuant to Section 3.2, is not required to be provided on the Closing Date), 4.27, 4.28 and 4.32 (solely with respect to the last sentence thereof).

"Specified Transaction" means the Hydrofarm Acquisition, any Investment (including any Acquisition), Asset Disposition (including, without limitation, any Colorado Property Sale-Leaseback), incurrence or repayment of Indebtedness or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a "Pro Forma Basis".

"Sponsor" means Hawthorn Equity Partners and its Controlled Investment Affiliates.

"Subordinated Indebtedness" any Permitted Affiliate Sub Debt and any other Indebtedness incurred by a Loan Party that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, August 11, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than August 11, 2022, (e) does not contain any financial covenants, (f) is not cross- defaulted (but may be cross-accelerated) to the Loan Documents, (g) is subject to permanent standstill provisions, and (h) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to the Administrative Agent in its Permitted Discretion.

"Subsidiary" of any Person means (i) any corporation of which more than 50% of the outstanding Equity Interests and Equity Interests Equivalents of any class or classes having ordinary voting power for the election of directors (irrespective of whether or not at the time Equity Interests or Equity Interests Equivalents of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is now or hereafter owned directly or indirectly by such Person, by such Person and one or more of its Subsidiaries, or by one or more of such Person's other Subsidiaries, (ii) any partnership, association, limited liability company, joint venture or other entity in which such Person, such Person and one or more of its Subsidiaries, or one or more of its Subsidiaries, is either a general partner or has an equity or voting interest of more than 50% at the time, and (iii) any other entity which is directly or indirectly controlled by such Person or one or more Subsidiaries of such Person or both; provided that, unless otherwise specified, any reference to "Subsidiary" means a Subsidiary of a Borrower.

"**Sunblaster Canada" means Sunblaster Holdings ULC, a British Columbia unlimited liability company.**

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and

(b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Obligations" means with respect to any Borrower or Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Tax Distribution" means, with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and Holdings is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm to Holdings (which Holdings may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income of Holdings for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests in Holdings is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to clause (x)(ii)(b) above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of Holdings allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Loan Party (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of Holdings or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Loan Party pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of Holdings (to the extent Holdings reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement (it being understood and agreed that any time the Revolving Loan Facility is not in effect, the term "Term Loan Priority Collateral" shall mean all Collateral).

"Term Loans" means the term loans made on the Closing Date pursuant to Section 2.1(a).

"**Termination Event" means (i) the voluntary full or partial wind up of a Canadian Pension Plan that is a registered pension plan by a Canadian Subsidiary; (ii) the institution of proceedings by any Governmental Authority to terminate in whole or in part or have a trustee appointed to administer such a plan; or (iii) any other event or condition which could reasonably be expected to constitute grounds for the termination of, winding up of, partial termination or winding up of, or the appointment of a trustee to administer, any such plan.**

"Test Period" in effect at any time means the most recent period of four consecutive fiscal quarters of the Borrowers ended on or prior to such time (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b) or (c), as applicable. A Test Period may be designated by reference to the last day thereof (*e.g.*, the "June 30, 2017 Test Period" refers to the period of four consecutive fiscal quarters of the Borrowers ended on June 30, 2017), and a Test Period shall be deemed to end on the last day thereof.

"Third ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Total Net Debt" means, as of any date of determination, (a) Indebtedness of the type described in clauses (a), (b), (d), (f), (h), (i) and (j) (but (1) excluding Permitted Affiliate Sub Debt and (2) in the case of clauses (i) and (j) solely to the extent Guaranteeing or related to Indebtedness described in clauses (a), (b), (d), (f) (but, in the case of earn-out obligations, only to the extent not paid when due) and (h)), minus (b) unrestricted cash and cash equivalents of the Borrowers and their Subsidiaries to the extent such cash or cash equivalents are subject to a first priority perfected security interest in favor of the Administrative Agent (subject to the Intercreditor Agreement) in an amount of up to $4,000,000 in the aggregate for all such cash and cash equivalents; provided that Total Net Debt shall not include Indebtedness in respect of (i) letters of credit, except to the extent of unreimbursed amounts thereunder and (ii) obligations under swap contracts.

"Total Net Leverage Ratio" means, in respect of any fiscal quarter of the Borrowers, on a consolidated basis, the ratio of Total Net Debt as of the last day of such fiscal quarter to Adjusted Consolidated EBITDA for the Test Period ending on the last day of such fiscal quarter.

"Transactions" means, collectively, (a) the execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and, in the case of the Borrowers, the borrowing of the Term Loans hereunder and the use of proceeds thereof in accordance with the terms hereof, (b) the execution, delivery and performance by each Loan Party of the Revolving Loan Documents to which such Loan Party is a party and, in the case of the borrowers under the Revolving Loan Documents, the making of the initial borrowings of Revolving Loans thereunder and the use of proceeds thereof in accordance with the terms thereof, (c) the execution, delivery and performance by Holdings of the Hydrofarm Acquisition Agreement and the other Acquisition Documents and the consummation of the transactions contemplated thereby, (d) the consummation of the Closing Equity Contribution, (e) the execution and delivery of the Assumption Agreement and the consummation of the transactions contemplated thereby, including the assumption by the Borrowers of the obligations of the Initial Borrower hereunder, and (f) the payment of related fees and expenses.

"United States" and "U.S." mean the United States of America.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning assigned thereto in Section 10.1(e)(ii)(B)(3).

"Wholly Owned Loan Party" means any Loan Party that is a Subsidiary of a Borrower so long as all of the Equity Interests and Equity Interests Equivalents of such Loan Party (other than directors' qualifying shares required by law) are owned by a Borrower, either directly or through one or more Subsidiaries of a Borrower that are Wholly Owned Loan Parties.

"WJCO" means WJCO LLC, a Colorado limited liability company, which is the successor to WJCO, Inc., a Colorado corporation, as a result of the Reorganization and the Conversion.

**1.2 Other Interpretive Provisions**. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) All undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition contained in Article or Division 9 shall control.

(c) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(d) The words "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(e) References in this Agreement to an Exhibit, Schedule, Article, Section, clause or sub-clause refer (A) to the appropriate Exhibit or Schedule to, or Article, Section, clause or sub-clause in this Agreement or (B) to the extent such references are not present in this Agreement, to the Loan Document in which such reference appears.

(f) The term "including" is by way of example and not a limitation.

(g) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(h) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(i) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

**1.3 Accounting Terms; Payment Dates**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein. Unless the context indicates otherwise, any reference to a "fiscal year" or a "fiscal quarter" shall refer to a fiscal year ending December 31 or fiscal quarter ending March 31, June 30, September 30 or December 31 of the Borrowers.

**1.4 References to Agreements, Laws, Etc**. Unless otherwise expressly provided herein, (a) any definition of or reference to any agreement, instrument or other document herein or in any Loan Document shall be construed as referring to such agreement, instrument or other document as may be from time to time amended, restated, amended and restated, supplemented or otherwise modified, extended, refinanced or replaced (subject to any restrictions or qualifications on such amendments, restatements, amendment and restatements, supplements or modifications, extensions, refinancings or replacements set forth herein or in any Loan Document) and (b) any reference to any law in any Loan Document shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law.

**1.5 Times of Day**. Unless otherwise specified, all references herein to times of day shall be references to New York City time (daylight or standard, as applicable).

## ARTICLE II
## THE TERM LOANS

**2.1 The Term Loans**.

(a) Term Loans. Subject (x) with respect to the conditions to the obligation to make such Term Loans on the Closing Date, only to the conditions precedent set forth in Section 3.1 and (y) otherwise, to the other terms and conditions set forth herein, the Lenders severally agree to make term loans (the "Term Loans") under the Commitments to the Borrowers on the Closing Date in an aggregate principal amount equal to $75,000,000 to fund (i) a portion of the purchase price for the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) a portion of the repayment, prepayment or redemption, as applicable, in full of all Indebtedness owing to third parties for borrowed money of the Acquired Company (together with the defeasance, discharge and termination thereof and the related release and termination of all guarantees and security interests granted thereunder, the "Refinancing"), (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes. The Commitments shall be terminated concurrently with the funding of the Term Loans on the Closing Date. The Borrowers' obligation to pay the principal of, and interest on, the Term Loan shall be evidenced by the records of the Lenders and by one or more promissory note(s) in form substantially as attached hereto as **Exhibit A** (the "Notes"). The entries made in the Register shall (absent manifest error) be *prima facie* evidence of the existence and amounts of the obligations of the Borrowers therein recorded; provided, that the failure or delay of the Lenders in maintaining or making entries into any such record or on such schedule or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Term Loan (both principal and unpaid accrued interest) in accordance with the terms of this Agreement.

(b) Notes. If requested by any Lender, the Term Loans made or held by such Lender shall be evidenced by, and be payable in accordance with, the terms of the Note issued to such Lender made by the Borrowers payable to the order of such Lender in a principal amount equal to the Term Loans held by such Lender; subject, however, to the provisions of such Note to the effect that the principal amount payable thereunder at any time shall not exceed the then unpaid principal amount of the Term Loans made or held by such Lender. The Borrowers hereby irrevocably authorize each Lender to make or cause to be made, at or about the time of the Term Loans made by such Lender, an appropriate notation on the records of such Lender, reflecting the principal amount of such Term Loans, and such Lender shall make or cause to be made, on or about the time of receipt of payment of any principal of any Term Loans, an appropriate notation on its records reflecting such payment and such Lender will, prior to any transfer of any of such Note, endorse on the reverse side thereof the outstanding principal amount of the Term Loans evidenced thereby. Failure to make any such notation shall not affect the Loan Parties' obligations in respect of such Term Loans. The aggregate amount of all Term Loans set forth on the Register shall be conclusive evidence of the principal amount owing and unpaid on such Lender's Note, absent manifest error.

(c) Promise to Pay. The Borrowers hereby promise to pay in full to the Administrative Agent for the benefit of the Lenders the amount of all Obligations, including the principal amount of all Term Loans, together with accrued interest, fees and other amounts due thereon, all in accordance with the terms of this Agreement. All outstanding Obligations, including the outstanding principal amount of all Term Loans, together with unpaid accrued interest, fees and other amounts due thereon, shall be due and payable in full on the Maturity Date.

(d) Required Payments.

(1) Amortization. Commencing September 30, 2017, and continuing on the last day of each fiscal quarter of the Borrowers thereafter, the Borrowers shall make quarterly repayments of the principal amount of the Term Loans in the aggregate principal amount equal to 0.625% of the original principal amount of the Term Loans on the Closing Date.

(2) Maturity. The entire remaining unpaid principal balance of the Term Loan, together with accrued but unpaid interest, shall be due and payable in full on the Maturity Date.

(e) Interest. The Borrowers agree to pay interest on the aggregate outstanding principal amount of the Term Loans until paid in full as follows:

(1) Accrual. From the Closing Date through the Maturity Date, the Term Loans shall bear interest at the rate of (i) with respect to LIBOR Rate Loans, the LIBOR Rate plus the Applicable Margin, and (ii) with respect to Base Rate Loans, the Base Rate plus the Applicable Margin.

(2) Default Interest. While any Default or Event of Default exists and is continuing, either (i) from and after the delivery of written notice to the Borrower from the Administrative Agent or the Required Lenders of their election to charge Default Interest until the applicable Event of Default is cured or waived or (ii) immediately upon the occurrence of any Default or Event of Default under Section 7.1(a) or 7.1(j) until the applicable Event of Default is cured or waived, the Borrower shall pay interest ("Default Interest") with respect to each Term Loan, plus any accrued and unpaid interest thereon, then outstanding at the Default Rate. All Default Interest shall be payable on demand.

(3) Payment Dates. Interest accrued on each Term Loan shall be payable, without duplication:

(A) on the Maturity Date;

(B) in respect of any Term Loan, on the date of any payment or prepayment, in whole or in part, of principal outstanding on such Term Loan, on the principal amount so paid or prepaid; and

(C) in respect of (i) any Base Rate Loan, on May 31, 2017 and on the last Business day of each month thereafter and (ii) with respect to any LIBOR Rate Loan, at the end of each Interest Period (together with the Maturity Date, each an "Interest Payment Date");

The Administrative Agent shall determine each interest rate applicable to the Term Loan in accordance with the terms hereof and, upon any rate change, shall promptly notify the Borrower Agent of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

(f) Calculation of Interest. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBOR Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Term Loan for the day on which the Term Loan is made, and shall not accrue on a Term Loan, or any portion thereof, for the day on which the Term Loan or such portion is paid. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(g) Prepayment. Subject to the Intercreditor Agreement, prepayments of the Term Loans shall be (or in the case of Section 2.1(g)(1), may be) made as set forth below:

(1) (i) The Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, except that any prepayment of Term Loans pursuant to this Section 2.1(g)(1)(i) effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each partial prepayment shall be in an aggregate principal amount of not less than $1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10.5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(ii) On or prior to the Equity Prepay Expiration Date, the Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, from the Net Cash Proceeds received by Holdings from a Qualifying Issuance; provided, that (A) the maximum principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii) with respect to any Qualifying Issuance shall not exceed fifty percent (50%) of the Net Cash Proceeds received by Holdings from such Qualifying Issuance, (B) the aggregate principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii), whether in connection with one or multiple Qualifying Issuances, shall in no event exceed $2,500,000, and (C) in no event shall the Loan Parties be permitted to prepay any Term Loans pursuant to this Section 2.1(g)(1)(ii) after the Equity Prepay Expiration Date. Each partial prepayment shall be in an aggregate principal amount of not less than $1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10.5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(2) Concurrently with the receipt by Holdings or any of its Subsidiaries of any Net Cash Proceeds of any Extraordinary Receipts, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(3) No later than five (5) days following the date of delivery of annual audited financial statements for the fiscal year ending December 31, 2017 pursuant to Section 5.1(b) and thereafter no later than the date five (5) days following the date of delivery of annual audited financial statements for each subsequent fiscal year pursuant to Section 5.1(b) (such required payment date during any fiscal year is herein referred to as the "Initial ECF Payment Date" in respect of such fiscal year), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to (i) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been greater than or equal to 3.25:1.00, 50.0% of Excess Cash Flow for such Excess Cash Flow Period, (ii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 3.25:1.00 but greater than or equal to 2.50:1.00, 25.0% of Excess Cash Flow for such Excess Cash Flow Period, or (iii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 2.50:1.00, 0.0% of Excess Cash Flow for such Excess Cash Flow Period (the amount of the required mandatory prepayment to be made in a fiscal year as determined in accordance with the foregoing is herein referred to as the "ECF Payment Amount" in respect of such fiscal year); provided that, at the option of the Borrowers, any voluntary prepayments of the Term Loans (to the extent paid with Internally Generated Funds) made during such fiscal year prior to the applicable Initial ECF Payment Date in such fiscal year (and without duplication in the next fiscal year) will reduce the ECF Payment Amount required for such fiscal year on a dollar-for-dollar basis; provided, further, that, if the ECF Liquidity as of the Initial ECF Payment Date in a particular fiscal year, calculated on a pro forma basis assuming that the entire ECF Payment Amount for such fiscal year was paid on such Initial ECF Payment Date, is less than $10,000,000, then:

(A) the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Initial ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Initial ECF Payment Date in an amount equal to the entire ECF Payment Amount for such fiscal year; or

(ii) elect to (a) reduce the mandatory prepayment of Term Loans required to be made pursuant to this Section 2.1(g)(3) on such Initial ECF Payment Date to an amount equal to the product of (x) 50%, times (y) the ECF Payment Amount for such fiscal year (the "Partial ECF Payment Amount"), which Partial ECF Payment Amount shall be due and payable by the Borrowers no later than the date five (5) days following the date of delivery of the annual audited financial statements pursuant to Section 5.1(b) for the prior fiscal year, and (b) defer the obligation of the Borrowers' to prepay the amount by which the ECF Payment Amount for such fiscal year exceeds such Partial ECF Payment Amount (the "Remaining ECF Payment Amount") until either the Second ECF Payment Date or Third ECF Payment Date as determined in accordance with clauses (B) and (C) below;

(B) if, pursuant to clause (A) above, the Borrowers shall have duly elected to make a payment of the Partial ECF Payment Amount on the Initial ECF Payment Date in respect of such fiscal year, then, on June 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Second ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year; provided, that, if the ECF Liquidity as of such Second ECF Payment Date, calculated on a pro forma basis assuming that the entire Remaining ECF Payment Amount for such fiscal year was paid on such Second ECF Payment Date, is less than $10,000,000, then the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Second ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Second ECF Payment Date in an amount equal to the Remaining ECF Payment Amount for such fiscal year; or

(ii) elect to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date; and

(C) if, pursuant to clause (B) above, the Borrowers shall have duly elected to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date, then, on September 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Third ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year.

(4) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds from (i) any Casualty Event or (ii) any Asset Disposition (other than an Asset Disposition permitted under clause (a), (b), (c), (d), (f), (g), (h), (i), (j) or (l) of Section 6.4), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds; provided that the foregoing prepayment obligation shall not apply to the extent such Net Cash Proceeds, are reinvested or committed to be reinvested in other assets or property useful in the business of the Borrowers and their Subsidiaries within 180 days of the receipt of such Net Cash Proceeds, and if so committed to be reinvested, reinvested no later than ninety (90) days after the end of such 180 day period (provided, that, in the event that the property or asset that was subject to such Casualty Event or Asset Disposition was Term Loan Priority Collateral, any property or asset in which such Net Cash Proceeds are so reinvested must be Term Loan Priority Collateral); provided, further, that the foregoing prepayment obligation shall not apply to the extent that (A) such Net Cash Proceeds are received by the Loan Parties in connection with a Permitted Colorado Property Sale-Leaseback, (B) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that (i) no Default or Event of Default exists on the date of the consummation of such Permitted Colorado Property Sale-Leaseback or would result therefrom, (ii) after giving effect to such Permitted Colorado Property Sale-Leaseback on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period does not exceed 4.00:1.00, and (iii) the Loan Parties will, within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, apply 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations, and (C) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Loan Parties shall have applied 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations.

(5) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds of any Indebtedness (except for Permitted Indebtedness) by Holdings or any of its Subsidiaries, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(6) Concurrently with the receipt by a Borrower of Equity Cure Contributions, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Equity Cure Contributions.

(7) Concurrently with a Change of Control or a sale of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions occurs, the Borrowers shall prepay the Term Loans, plus accrued and unpaid interest thereon, together with any other then outstanding Obligations.

(8) Any prepayment of Term Loans pursuant to Sections 2.1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7), effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by the Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each prepayment made pursuant to Section 2.1(g) shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. To the extent applicable, the Borrowers shall reimburse the Lenders and the Administrative Agent on demand for amounts set forth in and, to the extent required by, Section 10.5. The Borrower Agent shall give the Administrative Agent prior written notice of any event or circumstances reasonably likely to give rise to a mandatory prepayment obligation under this Section 2.1(g) (including the date and an estimate of the aggregate amount of such mandatory prepayment) at least five (5) Business Days prior thereto); provided that the failure to give such notice shall not constitute a Default or an Event of Default but shall not relieve the Borrowers of their obligation to make such mandatory prepayments.

**2.2 Election by Borrower Agent**.

(a) Interest Rate for Term Loans. The Borrower Agent may, upon irrevocable written notice to the Administrative Agent delivered at least three Business Days prior to such conversion or continuation, elect (i) as of any Business Day, to convert any Term Loans (or any part thereof in an aggregate amount of not less than $100,000 or a higher integral multiple of $50,000) into Credit Loans of the other type or (ii) as of the last day of the applicable Interest Period, to continue any LIBOR Rate Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $50,000) for a new Interest Period; provided, that any conversion of a LIBOR Rate Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 10.5.

(b) Lenders' Records. The Borrowers hereby irrevocably authorize the Administrative Agent to make, or cause to be made, an appropriate notation on the Register, reflecting the date and original principal amount of each Term Loan made by any Lender, the dates for each period when such Term Loan is being maintained as a LIBOR Rate Loan, the interest rate for each such period and the dates of principal and interest payments on such Term Loan. The Register shall be conclusive evidence of the status of such Lender's Term Loans, absent manifest error. Failure to make any such notation shall not affect the Borrowers' obligations in respect of such Term Loans.

**2.3 Payments**. Any other provision of this Agreement to the contrary notwithstanding, the Borrowers shall make each payment of interest on and principal of the Notes, and fees and other payments due under this Agreement (except as otherwise expressly provided herein), in immediately available funds to the Administrative Agent at its office referred to in Section 9.3 not later than 2:00 p.m. on the date when due. Subject to Section 10.1 (Taxes) hereof, payments by the Borrowers under this Agreement shall be made without offset, counterclaim or other deduction and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes. The Administrative Agent will promptly thereafter distribute like funds ratably to each Lender (unless such amount is not to be shared ratably in accordance with the terms hereof).

**2.4** **Setoff; etc**. Upon the occurrence and during the continuance of an Event of Default, each Lender and the Administrative Agent are hereby authorized at any time and from time to time, without prior notice to the Borrowers (any such notice being expressly waived by the Borrowers), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or Administrative Agent to or for the credit or the account of any Borrower or any of the other Loan Parties, including specifically any amounts held in any account maintained at such Lender or Administrative Agent, against amounts then due to the Administrative Agent or the Lenders, or any of them, by any Borrower or any of the other Loan Parties in connection with this Agreement or any Loan Document; provided that no Lender shall exercise any such right without the prior written consent of the Administrative Agent (at the direction of the Required Lenders). The rights of the Lenders and the Administrative Agent under this Section 2.4 are in addition to other rights and remedies (including other rights of set-off) which the Lenders and the Administrative Agent may have under applicable law. Each Lender and the Administrative Agent agrees, severally and not jointly, to use reasonable efforts to notify the Borrower Agent of any exercise of its rights pursuant to this Section 2.4, provided, however, that failure to provide such notice shall not affect any Lender's or the Administrative Agent's rights under this Section 2.4 or the effectiveness of any action taken pursuant hereto; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.9 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees to notify the Borrower Agent and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

**2.5** **Sharing**. If any Lender shall obtain any payment (whether voluntary, involuntary, by application of offset or otherwise) on account of the Term Loans made by it in excess of such Lender's ratable share of payments on account of the Term Loans obtained by all the Lenders, such Lender shall purchase from the other Lenders such participations in the Term Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided that, (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and (ii) the provisions of this Section 2.5 shall not be construed to apply to any payment made by or on behalf of a Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender). The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.5 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right to setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

**2.6** **Fees**. The Borrowers shall pay to the Administrative Agent for its own account or for the account of the Lenders, as specified therein, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

**2.7** **Lending Branch**. Subject to the provisions of Section 10.6(a), each Lender may, at its option, elect to make, fund or maintain its Term Loans hereunder at the branch or office specified on the signature pages hereto or such other of its branches or offices as such Lender may from time to time elect.

**2.8** **Application of Payments and Collections**.

(a) Order of Application of Payments. Subject to the Intercreditor Agreement and the provisions of subsection (b) below, all payments and prepayments and any other amounts received by the Administrative Agent from or for the benefit of the a Borrower shall be applied, first to pay principal of and interest on any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers, second ratably to pay all other Obligations in respect of fees, expenses, reimbursements or indemnities then due and payable, third ratably to pay interest then due in respect of the Term Loans, and fourth to pay the principal of the Term Loans then due and payable.

(b) Application of Payments After an Event of Default. Subject to the Intercreditor Agreement, after the occurrence of an Event of Default and while the same is continuing, the Administrative Agent shall, unless the Administrative Agent and the Lenders shall agree otherwise, apply all payments and prepayments in respect of any Obligations in the following order:

(1) to pay interest on and then principal of any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers;

(2) to pay Obligations in respect of any fees, expense reimbursements or indemnities then due to the Administrative Agent;

(3) ratably to pay Obligations in respect of any fees, expenses, reimbursements or indemnities (other than principal and interest) payable to the Lenders;

(4) to the payment of interest on all Term Loans and any amounts due pursuant to Sections 10.4 and 10.5, to be allocated among the Lenders pro rata based on the respective aggregate amounts of such accrued interest and amounts owed to them; and

(5) to the payment of the outstanding principal amounts of all Term Loans and Obligations under Rate Hedging Obligations to be allocated among the Lenders, pro rata based on the respective outstanding principal amounts described in this clause (5) payable to them.

(c) Each of the Lenders hereby irrevocably designates the Administrative Agent its attorney in fact for the purpose of receiving any and all payments to be made to such Lender in respect of Obligations held by it, and hereby directs each payor of any such payment to make such payment to the Administrative Agent. Each of the Lenders hereby further agrees that if, notwithstanding the foregoing, it should receive any such payment (including by set-off), it shall hold such payment in trust for, and promptly deliver such payment to, the Administrative Agent.

(d) The Administrative Agent shall promptly distribute to each Lender at its primary address set forth on the appropriate signature page hereof or at such other address as a Lender may notify the Administrative Agent in writing, such funds as such Lender may be entitled to receive.

**2.9 Defaulting Lenders.**

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(1) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 9.1.

(2) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 2.4 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower Agent may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower Agent, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and sixth, to such Defaulting Lender or as otherwise as may be required under the Loan Documents in connection with any Lien conferred thereunder or directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Term Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Term Loans were made at a time when the conditions set forth in Section 3.1 were satisfied or waived, such payment shall be applied solely to pay the Term Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Term Loans of such Defaulting Lender until such time as all Term Loans are held by the Lenders pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower Agent and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Term Loans to be held on a pro rata basis by the Lenders in accordance with their respective Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of a Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

**2.10 Joint and Several Liability**.

(a) Joint and Several Liability. All Term Loans made to the Borrowers (or assumed by the Borrowers pursuant to the Assumption Agreement) and all of the other Obligations of the Borrowers, including all interest, fees and expenses with respect thereto and all indemnity and reimbursement obligations hereunder, shall constitute one joint and several direct and general obligation of all of the Borrowers. Notwithstanding anything to the contrary contained herein, each of the Borrowers shall be jointly and severally, with each other Borrower, directly and unconditionally, liable for all Obligations, it being understood that the advances to each Borrower inure to the benefit of all Borrowers, and that the Administrative Agent and the Lenders are relying on the joint and several liability of the Borrowers as co-makers in extending the Term Loans hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Obligation, it will forthwith pay the same, without notice or demand, unless such payment is then prohibited by applicable Law.

(b) No Reduction in Obligations. No payment or payments made by any of the Borrowers or any other Person or received or collected by the Administrative Agent or any Lender from any of the Borrowers or any Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of each Borrower under this Agreement for the remaining Obligations, which shall remain liable for all remaining and thereafter arising Obligations until the payment in full in cash of the Obligations and the Commitments are terminated.

(c) Obligations Absolute. Each Borrower agrees that the Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto, unless such payment is then prohibited by applicable Law. All Obligations shall be conclusively presumed to have been created in reliance hereon. The liabilities of the Borrowers under this Agreement shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto, (ii) any change in the time, manner or place of payments of, or in any other term of, all or any part of the Obligations, or any other amendment or waiver thereof or any consent to departure therefrom, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise, (iii) any taking, exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Obligations, (iv) any change, restructuring or termination of the corporate structure or existence of any Loan Party, or (v) any other circumstance which would otherwise constitute a defense available to, or a discharge of, any Loan Party, other than payment in full in cash of the Obligations.

(d) Waiver of Suretyship Defenses. Each Borrower agrees that the joint and several liability of the Borrowers provided for in this Section 2.10 shall not be impaired or affected by any modification, supplement, extension or amendment of any contract or agreement to which the other Borrowers may hereafter agree (other than an agreement signed by the Administrative Agent and the Lenders specifically releasing such liability), nor by any delay, extension of time, renewal, compromise or other indulgence granted by the Agent or any Lender with respect to any of the Obligations, nor by any other agreements or arrangements whatever with the other Borrowers or with anyone else, each Borrower hereby waiving all notice of such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if it had expressly agreed thereto in advance. The liability of each Borrower is direct and unconditional as to all of the Obligations, and may be enforced without requiring the Administrative Agent or any Lender first to resort to any other right, remedy or security. Each Borrower hereby expressly waives promptness, diligence, notice of acceptance and any other notice (except to the extent expressly provided for herein or in another Loan Document) with respect to any of the Obligations, this Agreement or any other Loan Documents and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any Collateral.

(e) Contribution and Indemnification among the Borrowers. Each Borrower is obligated to repay the Obligations as joint and several obligors under this Agreement. To the extent that any Borrower shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Term Loans made to another Borrower hereunder or other Obligations incurred directly and primarily by any other Borrower (an "Accommodation Payment"), then the Borrower making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Borrowers in an amount, for each of such other Borrowers, equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Borrower's "Allocable Amount" (as defined below) and the denominator of which the sum of the Allocable Amounts of all of the Borrowers. As of any date of determination, the "Allocable Amount" of each Borrower shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Borrower hereunder without (i) rendering such Borrower "insolvent" within the meaning of Section 101(31) of Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code"), Section 2 of the Uniform Fraudulent Transfer Act (the "UFTA"), or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (ii) leaving such Borrower with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 4 of the UFCA, or (iii) leaving such Borrower unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA. Each Borrower hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Loan Party, howsoever arising, to the payment in full in cash of its Obligations.

**2.11 Borrower Agent**. Each Borrower hereby designates (a) at all times prior to the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, the Initial Borrower and (b) upon and at all times after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Hydrofarm (the "Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipt of Term Loans, designation of interest rates, delivery or receipt of communications, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with the Administrative Agent or any Lender. Borrower Agent hereby accepts such appointment. The Administrative Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any notice of borrowing) delivered by Borrower Agent on behalf of any Borrower. The Administrative Agent and Lenders may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of the Administrative Agent and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action, omission or undertaking by Borrower Agent shall be binding upon and enforceable against such Borrower.

**ARTICLE III**
**CONDITIONS PRECEDENT**

**3.1** **Conditions Precedent to Term Loans on the Closing Date**. The obligation of each Lender to make the Term Loans on the Closing Date shall be subject only to the following conditions precedent, each to the satisfaction of, and as determined by, Administrative Agent and Lenders (including, with respect to any documents or agreements referred to below, that such documents or agreements are in form and substance reasonable and customary for transactions of the type contemplated by this Agreement):

(a) The Administrative Agent shall have received copies (in sufficient number for each of the Lenders to receive a copy) of all of the following, each dated the Closing Date or such earlier date as approved by the Administrative Agent:

(1) This Agreement, appropriately completed and duly executed by the parties hereto;

(2) The Notes, to the extent requested, appropriately completed and duly executed by the Borrowers;

(3) The Guaranty, appropriately completed and duly executed and delivered by each of the Guarantors;

(4) The Security Agreement, appropriately completed and duly executed by the parties thereto;

(5) Uniform Commercial Code financing statements authorized by the applicable Loan Party as debtor, and naming the Administrative Agent as secured party with respect to the Collateral;

(6) Favorable legal opinions of Perkins Coie LLP, special counsel to the Loan Parties, addressed to the Administrative Agent and each of the Lenders, acceptable to Administrative Agent in its reasonable discretion, as to such matters as are reasonably required by Administrative Agent with respect to the Loan Parties and this Agreement, each of the Security Documents executed on the Closing Date and the other Loan Documents and covering such other matters relating to the Loan Documents as the Administrative Agent shall reasonably request;

(7) A closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent as to the items set forth in Section 3.1(d), (e), (f), (g), (h), (j), (k), (l) and (m);

(8) A certificate executed by a Responsible Officer or member of each Loan Party, certifying in the name of and on behalf of such Loan Party that (A) a true, correct and complete copy of its charter document, with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (B) a true, correct and complete copy of its operating agreement or bylaws, with all amendments thereto, is attached to the certificate, (C) a correct and complete copy of the resolutions of its members or shareholders authorizing the execution, delivery and performance of the Loan Documents to which it is a party are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (D) a certificate of good standing dated within a reasonably close period of time prior to the Closing Date for such Loan Party issued by the Secretary of State or similar state official for the state in which such Loan Party is incorporated, formed or organized and (E) signature and incumbency certificates of its officers executing any of the Loan Documents, all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification;

(9) On the Closing Date after giving effect to the initial funding of the Term Loans and the initial funding under the Revolving Loan Facility, the Loan Parties shall have (x) no outstanding Indebtedness other than the Term Loans funded on the Closing Date and other Permitted Indebtedness, and (y) no Liens outstanding other than Permitted Liens;

(10) Duly executed payoff letters and UCC-3 termination statements with respect to any Liens which are not Permitted Liens upon any Property of the Loan Parties or any of their Subsidiaries, including for the avoidance of doubt all payoff letters and UCC-3 termination statements as are necessary to effect the Refinancing;

(11) A certificate, duly executed by a Responsible Officer of Borrower Agent, certifying as to the solvency on the Closing Date of Holdings and its Subsidiaries;

(12) The Acquisition Documents for the Hydrofarm Acquisition and an assignment and/or contribution to the Loan Parties of Holdings' rights under the Acquisition Documents, including, without limitation, any escrow accounts or representation and warranty insurance entered into in connection therewith, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(13) The Revolving Loan Documents, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(14) Administrative Agent shall have received, in each case in form and substance reasonably satisfactory to Administrative Agent, evidence of property, business interruption and liability insurance covering each Loan Party (provided that to the extent the appropriate endorsements naming Administrative Agent as lender's loss payee on all policies for property hazard insurance and as additional insured on all policies for liability insurance cannot be delivered by the Closing Date, they should be required to be delivered to the extent required under Section 5.12); and

(15) A Notice of Borrowing appropriately completed and duly executed by the Borrowers.

(b) The Borrowers shall have paid all fees due on or prior to the Closing Date in accordance with the provisions of Section 2.6 which payment shall be nonrefundable (which amounts, in the case of fees payable to Administrative Agent and Lenders and at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date).

(c) The Borrowers shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of the Loan Documents and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Agreement and the Loan Documents, which payment shall be nonrefundable to the extent required by Section 9.4 and which payment, at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date.

(d) The Hydrofarm Acquisition shall have been, or substantially concurrently with the initial borrowing under this Agreement and shall be, consummated in accordance with the Hydrofarm Acquisition Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Administrative Agent (it being understood and agreed that (a) any modification, amendment or waiver to the definition of "Material Adverse Effect" or any similar term contained in the Hydrofarm Acquisition Agreement shall require consent of the Administrative Agent and the Lenders, (b) any increase in the purchase price shall not require consent of the Administrative Agent and the Lenders so long as such increase shall be funded by an increase in the Closing Equity Contribution, and (c) any modification, amendment or waiver to any provision of the Hydrofarm Acquisition Agreement to which the Lenders are a third party beneficiary pursuant to the terms thereof (including, without limitation, Section 12.8 of the Hydrofarm Acquisition Agreement) shall require consent of the Administrative Agent and the Lenders).

(e) The Specified Acquisition Agreement Representations shall be true and correct in all respects on and as of the Closing Date.

(f) The Specified Representations shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the Term Loans and the consummation of the other Transactions on, the Closing Date.

(g) Since December 31, 2015, there shall not have occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Hydrofarm Acquisition Agreement).

(h) The Refinancing shall be consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(i) Each Borrower and each of the Guarantors shall have provided the documentation and other information to the Administrative Agent (to the extent reasonably requested by the Administrative Agent in writing at least five (5) Business Days prior to the Closing Date) that are required by regulatory authorities under the applicable "know-your-customer" rules and regulations, including the PATRIOT Act, in each case at least two (2) Business Days prior to the Closing Date.

(j) The Consolidated EBITDA of Holdings and its Subsidiaries, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, for the twelve month period ending February 28, 2017, shall not be less than $25,000,000.

(k) The Total Net Leverage Ratio as of the Closing Date, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, shall not be greater than 4.27:1.00.

(l) An initial borrowing of Revolving Loans under the Revolving Loan Documents providing net proceeds to the Loan Parties of not more than $30,000,000 shall have occurred substantially simultaneously with the funding of the Term Loans and, immediately after giving effect to such initial borrowing, the Loan Parties shall have "Availability" (as defined in the Revolving Loan Documents) of at least $10,000,000 under the Revolving Loan Facility.

(m) The Closing Equity Contribution shall have been consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(n) The Administrative Agent shall have received (i) a pro forma balance sheet of Hydrofarm and its Subsidiaries dated as of the Closing Date and giving effect to the Hydrofarm Acquisition, which such balance sheet shall reflect no material change from the most recent pro forma balance sheet of Hydrofarm and its Subsidiaries previously delivered to the Administrative Agent, and (ii) financial projections (prepared on a fiscal monthly basis) of Hydrofarm and its Subsidiaries evidencing the Loan Parties' ability to comply with the financial covenants set forth in Section 6.1.

(o) The Administrative Agent will have received the Historical Financial Statements.

(p) The Closing Date shall occur on or before the Outside Date.

(q) Subject to Section 3.2, the Administrative Agent shall have received (i) the certificates, as applicable, representing the Equity Interests pledged pursuant to the Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and such other documents required by the Security Agreement in respect thereof, and (ii) all duly prepared financing statements on form UCC-1 and all other documents, instruments, filings, recordings, and registrations required to perfect the Liens created by the Security Documents, in sufficient copies and in form adequate to effect all such filings, recordings, and registrations.

**3.2 Perfection on the Closing Date**. Notwithstanding anything to the contrary herein, to the extent a perfected security interest in any Collateral (other than (i) any security interest that can be perfected by means of the filing of a UCC financing statement or by short-form intellectual property filings with the United States Patent and Trademark Office and the United States Copyright Office, and (ii) the pledge and perfection of security interests in the Equity Interests of the Borrowers and their Subsidiaries with respect to which a Lien may be perfected by the delivery of a stock or equity certificate) is not or cannot be provided on the Closing Date after the Initial Borrower's use of commercially reasonable efforts to do so or without undue burden or expense, then the perfection of such security interests shall not constitute a condition precedent to the making of the Term Loans on the Closing Date, but instead shall be required to be delivered after the Closing Date in accordance with Section 5.12.

**ARTICLE IV**
**REPRESENTATIONS AND WARRANTIES**

Each of the Loan Parties represents and warrants to the Administrative Agent and each of the Lenders that as of the Closing Date:

**4.1** **Organization; etc**. Each Loan Party and each of their respective Subsidiaries is a limited liability company, corporation or other organization, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its organization, has full power and authority to own its property and conduct its business as conducted by it and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing could not reasonably be expected, in the aggregate, to result in a Material Adverse Effect. ~~A~~**As of the Amendment No. 2 Effective Date (immediately after giving effect to the Asset Acquisition), a** list of jurisdictions in which each such Loan Party and each such Subsidiary is**, and after giving effect to the Share Purchase will be,** qualified to do business is set forth in **Schedule 4.1**. Each Loan Party has full power and authority to enter into and to perform its obligations under the Loan Documents to which it is a party and, in the case of the Borrowers only, to request and borrow the Term Loans under this Agreement. Each Loan Party and each of their respective Subsidiaries has all licenses, permits and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its Property, except for permits, licenses, and rights the failure of which to have or obtain could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

**4.2** **Due Authorization**. The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party and the consummation by such Loan Party of each of the Transactions (a) have been duly authorized by all necessary corporate or limited liability company action, as the case may be, (b) do not and will not conflict with, result in any violation of or constitute any default under (i) any provision of the Organic Documents of such Loan Party, (ii) any Material Contract binding on or applicable to such Loan Party, or (iii) any law or governmental regulation or court decree or order binding upon or applicable to such Loan Party or any of its Property and (c) will not result in the creation or imposition of any Lien on any of such Loan Party's Property pursuant to the provisions of any agreement binding on or applicable to such Loan Party, or any of its Property, except any such Liens created pursuant to the Security Documents in favor of the Administrative Agent, for the benefit of the Secured Parties, and Permitted Liens.

**4.3** **Subsidiaries**. As of the ~~Closing Date~~**Amendment No. 2 Effective Date (immediately after giving effect to the Asset Acquisition)**, no Loan Party has any Subsidiaries**, and after giving effect to the Share Acquisition no Loan Party will have any Subsidiaries,** except those listed on **Schedule 4.3**, which correctly sets forth the name of each Subsidiary, the jurisdiction of its incorporation, formation or organization and the percentage ownership of each Subsidiary which is owned, of record or beneficially, by such Loan Party and/or one or more of its Subsidiaries. Each Loan Party and its Subsidiaries has good and marketable title to all of the Equity Interests or Equity Interests Equivalents it owns in each of its Subsidiaries, free and clear of any Lien (other than any Liens in favor of the Administrative Agent for the benefit of the Secured Parties, Permitted Liens under Section 6.3(j) and inchoate Permitted Liens) and all such Equity Interests and Equity Interests Equivalents have been duly issued and are fully paid and non-assessable. Each Loan Party has full power and authority to own and operate its properties, to carry on its business as now conducted and to enter into and perform the Loan Documents to which it is a party. Each Loan Party has all licenses, permits, and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its properties, except for permits, licenses, and rights the failure of which to have or obtain, individually or in the aggregate, is not, and could not reasonably be expected to result in, a Material Adverse Effect.

**4.4** **Validity of the Agreement**. Each Loan Document is the legal, valid and binding obligation of each Loan Party and is enforceable in accordance with its terms except that, as to enforcement of remedies, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' and secured parties' rights generally or by equitable principles relating to enforceability, regardless of whether considered in equity or at law.

**4.5** **Financial Statements**. The Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein; and (ii) fairly present the financial condition of the Acquired Company as of the dates thereof and their results of operations for the periods covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby (except as otherwise expressly noted therein and, in the case of quarterly financial statements, subject to the absence of footnotes.

**4.6** **Litigation; etc**. Except as set forth on **Schedule 4.6**, there is no action, suit, claim, demand, disputes, cause of action, proceeding, arbitration or investigation at law or equity, or before or by any federal, state, local or other governmental department, commission, court, tribunal, board, bureau, agency or instrumentality, domestic or foreign, pending, or to the Knowledge of the Loan Parties, threatened in writing, against or affecting any Loan Party or any of their Subsidiaries or any of their respective Properties, (i) that involve any Loan Document or the Transactions, or (ii) which if determined adversely could reasonably be expected to result in a Material Adverse Effect.

**4.7** **Compliance with Law**. No Loan Party nor any of their Subsidiaries is (a) in default or breach with respect to any judgment, order, writ, injunction, rule, regulation or decree of any court, governmental authority, department, commission, agency or arbitration board or tribunal or (b) in violation of any law, rule, regulation, ordinance or order relating to its or their respective businesses, in each case of clause (a) and (b) above, the breach, default or violation of which could reasonably be expected to result in a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Loan Party or Subsidiary under any applicable Law. To the Knowledge of the Loan Parties, no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary **(other than a Canadian Subsidiary)**), sells ~~and~~**any** products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**4.8** **ERISA Compliance**. Except as set forth on **Schedule 4.8**:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the Knowledge of the Loan Parties, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Loan Party and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made by any Loan Party or ERISA Affiliate with respect to any Pension Plan.

(b) There are no pending or, to the Knowledge of the Loan Parties, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur, (ii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and no Loan Party or ERISA Affiliate knows of any reason that such percentage could reasonably be expected to drop below 60%, (iii) no Loan Party or ERISA Affiliate has incurred any liability to the PBGC except for the payment of premiums, and no premium payments are due and unpaid, (iv) no Loan Party or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, and (v) no Pension Plan has been terminated by its plan administrator or the PBGC, and no fact or circumstance exists that could reasonably be expected to cause the PBGC to institute proceedings to terminate a Pension Plan.

(d) With respect to any Foreign Plan, (i) all employer and employee contributions required by law or by the terms of the Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices, (ii) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance, or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles, and (iii) it has been registered as required and has been maintained in good standing with applicable regulatory authorities.

**(e) No Canadian Employee Plan provides for medical, life or other welfare benefits (through insurance or otherwise), with respect to any current or former employee of any Canadian Subsidiary or any Affiliate thereof after retirement or other termination of service (other than coverage mandated by Law or coverage provided through the end of the month containing the date of termination from service or otherwise where part of a severance package or with respect to injured or disabled employees). The Loan Parties and their Subsidiaries are in compliance in all material respects with the requirements of the PBA and any binding FSCO requirements of general application with respect to each Canadian Pension Plan and in material compliance with any FSCO directive or order directed specifically at a Canadian Pension Plan. No Canadian Pension Plan has any unfunded liability, solvency deficiency or wind up deficiency or otherwise has its present value benefit liabilities determined on a plan termination basis in accordance with actuarial assumptions in excess of the current value of its assets. No fact or situation that may reasonably be expected to result in a Material Adverse Effect exists in connection with any Canadian Pension Plan. No Loan Party or Subsidiary contributes to or participates in a Canadian Multi-Employer Plan. No Loan Party or an Affiliate thereof maintains, contributes or has any liability with respect to a Canadian Defined Benefit Pension Plan. No Termination Event has occurred. All contributions required to be made by any Loan Party or Subsidiary to any Canadian Pension Plan have been made in a timely fashion in accordance with the terms of such Canadian Pension Plan and the PBA. No Lien has arisen, choate or inchoate, in respect of any Loan Party or Subsidiary or their property in connection with any Canadian Pension Plan (save for contribution amounts not yet due).**

**4.9** **Title to Assets**. Each Loan Party and each of their respective Subsidiaries holds or will hold good title to all of its Property (including, without limitation, good record title to any owned Real Property in fee simple and good, legal and marketable title to any equipment and other personal Property) in each case, free and clear of all Liens except for Permitted Liens. No Real Property is located in a special flood hazard zone, except as disclosed on **Schedule 4.9**. Each Loan Party and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. Except for Uniform Commercial Code financing statements evidencing Permitted Liens, no financing statement under the Uniform Commercial Code as in effect in any jurisdiction and no other filing which names any Loan Party or any of their Subsidiaries as debtor or which covers or purports to cover any of their respective Property, will be effective and on file in any state or other jurisdiction, and no Loan Party nor any of their respective Subsidiaries will sign or authorize any such financing statement or filing or any security agreement authorizing any secured party thereunder to file any such financing statement or filing other than in respect of Permitted Liens.

**4.10** **Use of Proceeds**. Proceeds of the Term Loans, together with the proceeds of the Closing Equity Contribution and the initial borrowing of Revolving Loans under the Revolving Loan Documents, will be used to fund (i) the purchase price of the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) the Refinancing, (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes.

**4.11** **Governmental Regulation**. No Loan Party, nor any of their respective Subsidiaries, is required to obtain any consent, approval, authorization, permit or license which has not already been obtained from, or effect any filing or registration (other than the filing of the Uniform Commercial Code financing statements) which has not already been effected with, any federal, state or local regulatory authority in connection with the execution and delivery of this Agreement or any other Loan Document, the performance, in accordance with their respective terms, of this Agreement or any other Loan Document, or the consummation of the Transactions.

**4.12** **Margin Stock**. No part of any Term Loans shall be used at any time by any Loan Party or any of their respective Subsidiaries to purchase or carry margin stock (within the meaning of Regulations T, U and X) or to extend credit to others for the purpose of purchasing or carrying any margin stock. No Loan Party, nor any of their respective Subsidiaries, is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying any such margin stock. No part of the proceeds of any Term Loans will be used by any Loan Party or any of their respective Subsidiaries for any purpose which violates, or which is inconsistent with, any regulations promulgated by the Board of Governors of the Federal Reserve System.

**4.13** **Not a Regulated Entity**. No Loan Party, nor any of their respective Subsidiaries, is (a) registered or required to be registered as an "investment company," or an "affiliated person" of, or a "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other applicable Law regarding its authority to incur Indebtedness. The making of the Term Loans, the application of the proceeds and repayment thereof by the Borrowers and the performance by each Loan Party of the transactions contemplated by this Agreement and each of the other Loan Documents will not violate any provision of said Laws, or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

**4.14** **Accuracy of Information**. All written information heretofore furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders for purposes of or in connection with this Agreement or any other Loan Document or any transaction contemplated by this Agreement or any of the other Loan Documents is, and all other such information furnished by or on behalf of such Loan Party to the Administrative Agent is, when considered as a whole, complete and correct in all material respects and did not, when delivered, contain any untrue statement of material fact or omit to state a fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements have been made (after giving effect to all supplements thereto).

**4.15** **Tax Returns; Audits**. Each Loan Party and each of their respective Subsidiaries has filed all material federal, **provincial,** state and local **and foreign** tax returns and other material reports which are required to be filed, and has paid all material taxes as shown on said returns and on all assessments received by any such Person (except for any assessments which are being Properly Contested), to the extent that such taxes have become due or has obtained extensions with respect to the filing of such returns and has made provision in accordance with GAAP for the payment of taxes anticipated to be payable in connection with such returns. Each Loan Party and each of their respective Subsidiaries has made all material required withholding deposits.

**4.16** **Environmental and Safety Regulations**. Each Loan Party and each of their respective Subsidiaries is in compliance with all requirements of applicable federal, state and local Environmental Laws except for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Except as disclosed on **Schedule 4.16**, no Loan Party's or Subsidiary's past or present operations, Real Property or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. The Real Property and its intended use complies with all applicable laws, governmental regulations and the terms of any enforcement action by any federal, state, regional or local governmental agency regarding all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus under such laws, except in each case for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Loan Party or Subsidiary has received any Environmental Notice. No Loan Party or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Property now or previously owned, leased or operated by it.

**4.17** **Payment of Wages; Labor Matters**. Each Loan Party and each of their respective Subsidiaries is in compliance with the Fair Labor Standards Act, as amended, in all material respects, and each Loan Party and each of their respective Subsidiaries has paid all minimum and overtime wages required by law to be paid to their respective employees. There are no strikes, work stoppages, slowdowns or lockouts existing, pending or, to the Knowledge of the Loan Parties, threatened against or involving any Loan Party or any Subsidiary of any Loan Party, except for those that could reasonably be expected to result in a Material Adverse Effect. Except as set forth on **Schedule 4.17**, (a) there is no collective bargaining or similar agreement with any union, labor organization, works council or similar representative covering any employee of any Loan Party or any Subsidiary of any Loan Party, (b) no petition for certification or election of any such representative is existing or pending with respect to any employee of any Loan Party or any Subsidiary of any Loan Party and (c) to the knowledge of any Loan Party, no such representative has sought certification or recognition with respect to any employee of any Loan Party or any Subsidiary of any Loan Party.

**4.18** **Intellectual Property**. Each Loan and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Loan Party's Knowledge, threatened Intellectual Property Claim with respect to any Loan Party, any Subsidiary or any of its Property (including any Intellectual Property). Except as set forth on **Schedule 4.18**, no Loan Party or Subsidiary pays or owes any royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property owned, used or licensed by, or otherwise subject to any interests of, any Loan Party or Subsidiary is set forth on **Schedule 4.18**. To any Loan Party's knowledge, there is no third party Intellectual Property licensed to a Loan Party that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Loan Party, and no licensed third party Intellectual Property is necessary for the Administrative Agent to exercise its rights to enforce the Liens in favor of the Administrative Agent for the benefit of the Secured Parties with respect to the Term Loan Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

**4.19** **Projections**. The projections of the Borrowers, previously furnished to the Administrative Agent on March 22, 2017, have been prepared in the light of the past business history of the Borrowers and their Subsidiaries and on the basis of the assumptions set forth therein, which assumptions are in the opinion of the Borrowers reasonable at the time such budget projections were prepared (it being recognized that budget projections may differ from actual results and such differences may be material and such budget projections are subject to significant uncertainties and contingencies which are beyond the Borrowers' control and no assurance can be given that any particular projection will be realized).

**4.20** **Solvency**. After giving effect to the making of the Term Loans hereunder and the consummation of the other Transactions on the Closing Date, as of the Closing Date, the Loan Parties and their Subsidiaries taken as a whole are Solvent.

**4.21** **No Material Adverse Effect**. Since December 31, 2015, there has occurred no event which is or which could reasonably be expected to result in a Material Adverse Effect.

**4.22** **Brokers' Fees**. Except for fees payable to the Administrative Agent and the Lenders, none of the Loan Parties or any of their respective Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with the transactions contemplated hereby.

**4.23** **Deposit Accounts**. **Schedule 4.23** lists all banks and other financial institutions at which any Loan Party maintains deposit or other accounts as of the Closing Date, and such Schedule correctly identifies the name, address and any other relevant contact information reasonably requested by the Administrative Agent with respect to each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

**4.24** **Hydrofarm Acquisition Agreement**. As of the Closing Date, the Borrowers have delivered to the Administrative Agent a complete and correct copy of the Hydrofarm Acquisition Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other material documents delivered pursuant thereto or in connection therewith). The Hydrofarm Acquisition Agreement is in full force and effect as of the Closing Date and has not been terminated, rescinded or withdrawn. The consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement on the Closing Date will not violate any statute or regulation of the United States (including any securities law) or of any state or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Loan Party or, to any Loan Party's knowledge, any other party to the Hydrofarm Acquisition Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Loan Party is a party or by which any Loan Party is bound or, to any Loan Party's Knowledge, to which any other party to the Transactions is a party or by which any such party is bound. To the Knowledge of the Loan Party's, the Hydrofarm Acquisition Agreement was duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

**4.25** **Material Contracts**. All of the Material Contracts are in full force and effect and no Loan Party, nor any of their respective Subsidiaries, is in default under any Material Contract and, to the Knowledge of the Loan Parties, no other Person that is a party thereto is in default under any of the Material Contracts. There is no basis upon which any party (other than a Loan Party or Subsidiary) could terminate a Material Contract prior to its scheduled termination date.

**4.26** **Valid Liens**. The Security Agreement and each other Security Document delivered pursuant hereto will, upon execution and delivery thereof, be effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, to the secure the Obligations, legal, valid and enforceable Liens on, and security interests in, each Loan Party's right, title and interest in and to the Collateral thereunder, and, subject to the Intercreditor Agreement, (i) when all appropriate filings or recordings are made in the appropriate offices as may be required under applicable law and (ii) upon the taking of possession or control by the Administrative Agent of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Administrative Agent to the extent required by any Security Document), the Liens created by such Security Document will constitute fully perfected Liens on, and security interests in, all right, title and interest of each Loan Party in such Collateral having the priority set forth in the Intercreditor Agreement, in each case subject to no Liens other than the applicable Permitted Liens. All Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Term Loan Priority Collateral are duly perfected, first priority Liens and all Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Revolving Loan Priority Collateral are duly perfected Liens having the priority set forth in the Intercreditor Agreement, in each case, subject only to Permitted Liens that are expressly allowed to have priority over the Liens of the Administrative Agent, for the benefit of the Secured Parties.

**4.27** **Foreign Assets Control Regulations and Anti-Money Laundering**. Each Loan Party and each of their respective Subsidiaries is in compliance in all material respects with all U.S. economic sanctions laws, Executive Orders and implementing regulations as promulgated by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), and all applicable anti-money laundering and counter-terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it. None of the Loan Parties, nor any of their respective Subsidiaries, (i) is a Person designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List") with which a U.S. Person cannot deal with or otherwise engage in business transactions, (ii) is a Person who is otherwise the target of U.S. economic sanctions laws such that a U.S. Person cannot deal or otherwise engage in business transactions with such Person or (iii) is controlled by (including by virtue of such person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any person or entity on the SDN List or a foreign government that is the target of U.S. economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited under U.S. law.

**4.28** **Patriot Act**. The Loan Parties, each of their Subsidiaries and, to their knowledge, each of their Affiliates, are in compliance in all material respects with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department and any other enabling legislation or executive order relating thereto, (b) the Patriot Act and (c) other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations. No part of the proceeds of any Term Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

**4.29** **Surety Obligations**. No Loan Party or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

**4.30** **Trade Relations**. There exists no actual or threatened termination, limitation or modification of any business relationship between any Loan Party or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Loan Party or Subsidiary. There exists no condition or circumstance that could reasonably be expected to impair the ability of any Loan Party or Subsidiary to conduct its business at any time hereafter in substantially the same manner as conducted on the Closing Date.

**4.31** **Holdings**. Holdings (a) has not engaged in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents and the Related Agreements, (b) does not hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), and (c) has no liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

**4.32** **Revolving Loan Documents**. The Revolving Loan Documents dated as of the date hereof are being executed and delivered concurrently with the execution and delivery of this Agreement, true, correct and complete copies of which have been delivered to the Administrative Agent. The transactions contemplated by the Revolving Loan Documents comply in all material respects with all applicable Laws.

**4.33** **Insurance**. The Loan Parties and their Subsidiaries maintain insurance policies with respect to their respective properties and business, in each case in compliance with Section 5.7.

**4.34** **SBA Matters**. Each of Holdings and each Borrower acknowledges that Brightwood Capital SBIC I, LP is, and certain other Lenders may from time to time be or become, a Small Business Investment Company (as defined in the SBIA), subject to the rules and regulations contained in and promulgated under the SBIA. As of the Closing Date, each of Holdings and each Borrower, together with its "affiliates" (for purposes of this paragraph only, as that term is defined in Title 13, Code of Federal Regulations, §121.103), is a Small Business Concern (as defined in the SBIA). Neither Holdings nor any of its Subsidiaries presently engages in, and shall not hereafter engage in, any activities for which a Small Business Concern is prohibited from engaging in under the SBIA, nor shall any such Person use directly or indirectly the proceeds of the Term Loans for any purpose for which a Small Business Investment Company is prohibited from providing funds by the SBIA. The representations made by Holdings and each Borrower in the SBA forms delivered on the Closing Date pursuant to Section 5.13 (or such later date of delivery) shall be deemed to be representations made by Holdings and each Borrower as of the Closing Date (or such later date) under this Section 4.34.

**ARTICLE V**
**CERTAIN AFFIRMATIVE COVENANTS**

Each of the Loan Parties agrees with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loan shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**5.1** **Financial Information; etc**. The Borrowers will furnish to the Administrative Agent copies of the following financial statements, reports and information:

(a) as soon as available and in any event on or prior to September 29, 2017, a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of the Acquired Company for the fiscal year ended December 31, 2016, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of the Acquired Company in accordance with GAAP for such period;

(b) as soon as available and in any event within one hundred twenty (120) days **(which period may, in the case of the fiscal year ending December 31, 2017, be extended by up to thirty (30) days in the reasonable discretion of the Administrative Agent)** after the end of each fiscal year of the Borrowers (commencing with the fiscal year ending December 31, 2017), a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Holdings, the Borrowers and their Subsidiaries for such fiscal year, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit other than solely with respect to, or resulting solely from, an upcoming Maturity Date under the Term Loans, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period;

(c) as soon as available and in any event within thirty (30) days after the end of each fiscal quarterly period of each fiscal year of the Borrowers (or, for with respect to the last such quarterly period ending in any fiscal year, forty five (45) days after the end of such quarterly period), commencing with the fiscal quarter ended March 31, 2017, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period, (subject to year-end adjustments and the lack of GAAP footnotes);

(d) as soon as available and in any event within thirty (30) days after the end of each of the first two fiscal months of each fiscal quarter of the Borrowers, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year;

(e) with each financial statement required by Section 5.1(b) and Section 5.1(c) (other than the last fiscal quarter of such year) to be delivered to the Administrative Agent, a Compliance Certificate signed by a Responsible Officer of the Borrower Agent;

(f) concurrently with delivery of financial statements under clauses (a), (b) and (c) above, a management report, in reasonable detail, signed by the chief financial officer of the Borrower Agent, describing the operations and financial condition of the Loan Parties and their Subsidiaries for the fiscal quarter and the portion of the fiscal year then ended (or for the fiscal year then ended in the case of annual financial statements), together with a discussion comparing such results as compared to the applicable figures for such period set forth in the projections most recently delivered pursuant to clause (k) below;

(g) promptly after any Borrower knows or has reason to know that any Default or Event of Default has occurred and is continuing, any "Default" or "Event of Default" under and as defined in any Revolving Loan Documents has occurred and is continuing or any Material Adverse Effect has occurred, but in any event not later than five (5) Business Days after any Responsible Officer of any Borrower becomes aware thereof, a notice from the Borrower Agent of such Default, Event of Default, "Default", "Event of Default" or Material Adverse Effect describing the same in reasonable detail and a description of the action that the Borrowers have taken and propose to take with respect thereto;

(h) promptly after a Loan Party's obtaining knowledge thereof, notice to the Administrative Agent of any of the following that affects a Loan Party: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could reasonably be expected to have a Material Adverse Effect, (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract, (c) any default under or termination of a Material Contract, (d) any judgment in an amount exceeding $500,000, (e) the assertion of any Intellectual Property Claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (f) any violation or asserted violation of any applicable Law (including ERISA, **PBA,** the Fair Labor Standards Act of 1938, or any Environmental Laws), if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (g) any Environmental Release by a Loan Party or on any Real Property owned, leased or occupied by a Loan Party, or receipt of any Environmental Notice, (h) the occurrence of any ERISA **Event or Termination** Event, (i) the discharge of or any withdrawal or resignation by Borrowers' independent accountants, ~~or~~ (j) any opening of a new office or place of business, at least thirty (30) days prior to such opening~~.~~**, or (k) any Loan Party or Subsidiary becomes party to, liable under or otherwise bound by any collective bargaining agreement, any Canadian Defined Benefit Pension Plan, Canadian Pension Plan, Pension Plan, Multiemployer Plan, Canadian Multi-Employer Plan or similar agreement;**

(i) promptly after receipt thereof, but in any event not later than five (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, all final letters and reports to management of a Borrower prepared by its independent certified public accountants and the responses of the management of such Borrower thereto;

(j) promptly following the commencement of any litigation, suit, administrative proceeding or arbitration relating to any Borrower or any of its Properties which if adversely determined could reasonably be expected to result in a Material Adverse Effect or otherwise relating in any way to the transactions contemplated by this Agreement, but in any event not later than (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, a notice thereof from the Borrower Agent describing the allegations of such litigation, suit, administrative proceeding or arbitration and the Borrowers' response thereto;

(k) not later than thirty (30) days after the start of each fiscal year of the Borrowers, projections of Holdings', the Borrowers' and their Subsidiaries' consolidated balance sheets, results of operations, cash flow and "Availability" (as defined in the Revolving Loan Documents) for the next fiscal year, fiscal month by fiscal month, together with a statement of all underlying assumptions, and promptly following the preparation thereof, updates to any of the foregoing from time to time prepared by management of any Loan Party;

(l) promptly after receipt thereof, but in any event not later than five (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement (including, without limitation, the Revolving Loan Documents) and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request;

(m) promptly after the sending or filing thereof, any certifications or other documents (including any exhibits or other backup thereto) regarding the post-closing settlement or other "true-up" of consideration paid under the Acquisition Documents **or the Canadian Purchase Agreement**;

(n) at the Administrative Agent's request, a listing of each Loan Party's trade payables, specifying the trade creditor and balance due, and a detailed trade payable aging, all in form satisfactory to the Administrative Agent;

(o) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Loan Party has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Loan Party files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by a Loan Party to the public concerning material changes to or developments in the business of such Loan Party;

(p) promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(q) promptly upon any officer of any Loan Party obtaining knowledge that any Loan Party has either (i) registered or applied to register any Intellectual Property with any Governmental Authority or (ii) acquired any interest in Real Property (including leasehold interests in Real Property), a certificate of a Responsible Officer describing such Intellectual Property and/or such Real Property in such detail as the Administrative Agent shall reasonably require;

(r) promptly upon the completion thereof, any third-party audit or other review of the Closing Date balance sheet of the Loan Parties;

(s) as soon as available, and in any event within 120 days after the close of each fiscal year of the Borrowers, financial statements for each Guarantor, in form and substance satisfactory to the Administrative Agent;

(t) upon request, provide the Administrative Agent with copies of all existing agreements, and promptly after execution thereof provide the Administrative Agent with copies of all future agreements, between a Loan Party and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral;

(u) from time to time (but no more frequently than one time per fiscal quarter) upon the reasonable request of Administrative Agent, the Borrowers shall make appropriate members of management available at reasonable times during normal business hours for a telephone conference to discuss with Administrative Agent and the Lenders the financial condition and operations of the Borrowers and their Subsidiaries; and

(v) such other information with respect to the financial condition and operations of the Borrowers and their Subsidiaries as the Administrative Agent or any Lender may reasonably request.

**5.2 Maintenance of Existence and Licenses; etc**.

(a) Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain and preserve its existence, and qualification and good standing in all states and jurisdictions in which such qualification and good standing are required in order to conduct its business and own its property as conducted and owned in such states, except, other than with respect Holdings or a Borrower, where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) Each Loan Party shall, and shall cause each of its Subsidiaries to, (i) keep each material License affecting any Collateral (including the manufacture, distribution or disposition of inventory) or any other material Property of the Loan Parties and Subsidiaries in full force and effect, (ii) promptly notify the Administrative Agent of any proposed modification to any such material License, or entry into any new material License, in each case at least thirty (30) days prior to its effective date, (iii) pay all royalties and other amounts when due under any material License, and (iv) notify the Administrative Agent of any default or breach asserted by any Person to have occurred under any material License.

**5.3** **Maintenance of Properties**. Each Loan Party will, and shall cause each of its Subsidiaries to, maintain or cause to be maintained in the ordinary course of business in good repair, working order and condition (reasonable wear and tear excepted) all material Properties used in their respective businesses (whether owned or held under lease), and from time to time make or cause to be made all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, except to the extent the failure to maintain such Properties could not reasonably be expected to result in a Material Adverse Effect.

**5.4** **Payment of Liabilities**. Each Loan Party shall, and shall cause each of its Subsidiaries to, pay and discharge as the same may become due and payable, all taxes, assessments and other governmental charges or levies against or on any of its Property, in each case, prior to the date on which they become delinquent or penalties attach, as well as all other lawful claims of any kind which, if unpaid, might become a Lien upon any of its Property; provided, however, that the foregoing shall not require such Loan Party or such Subsidiary to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be Properly Contested, but (with respect to claims that are not Taxes, assessments and other governmental charges or levies) only so long as such claim does not become a Lien on any assets of such Loan Party or such Subsidiary.

**5.5** **Compliance with Laws**. Each Loan Party shall, and shall cause each of its Subsidiaries to, carry on its business activities in substantial compliance with all applicable federal ~~or~~**, provincial,** state **or foreign** laws and all applicable rules, regulations and orders of all governmental bodies and offices having power to regulate or supervise its business activities, including all applicable environmental, pollution control, health and safety statutes, laws and regulations, except in each case where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain all material rights, liens, permits, certificates of compliance or grants of authority necessary for the conduct of its business, except where the failure to maintain could not reasonably be expected to result in a Material Adverse Effect. The Real Property and its intended use will comply at all times with all applicable laws, governmental regulations and the terms of any enforcement action now or hereafter commenced by any federal, state, regional or local governmental agency, including all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended from time to time), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus, except where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, institute and maintain policies and procedures (satisfactory to the Administrative Agent) designed to ensure that no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary), sells any products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**5.6** **Books and Records; Inspection Rights; etc**. Each Loan Party shall, and shall cause each of its Subsidiaries to, keep (a) from and after July 1, 2017, a system of accounting administered in accordance with GAAP and (b) books and records reflecting all of its business affairs and transactions in accordance with GAAP. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit the Administrative Agent (accompanied by any Lender) or any representative thereof, at reasonable times and intervals, during normal business hours and upon reasonable notice to the Borrower Agent, to visit the offices of such Loan Party or such Subsidiary, discuss financial matters with Responsible Officers of such Loan Party or such Subsidiary and with its independent public accountants (and by this provision each Loan Party authorizes its and its Subsidiaries' independent public accountants to participate in such discussions) and examine any of the such Loan Party's or such Subsidiary's books and other company records in a non-disruptive manner; provided, that unless an Event of Default has occurred and is continuing there shall be no more than one such inspection or visit per year; provided, further, that, unless an Event of Default has occurred and is continuing, a representative of the Borrower Agent shall be given the opportunity to be present during any such inspection or discussion. Notwithstanding anything to the contrary in this Section 5.6, no Loan Party, nor any of their respective Subsidiaries, will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter, or provide information, that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure is prohibited by Law, (iii) is subject to attorney-client or similar privilege or constitutes attorney work product or (iv) the disclosure of which is restricted by binding agreements with a third party that is not a controlled Affiliate of any Loan Party.

**5.7** **Insurance**. Subject to the Intercreditor Agreement:

(a) Each Loan Party shall maintain insurance with respect to the Collateral, covering casualty, hazard, theft, malicious mischief, flood and other risks, in amounts, with endorsements and with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) reasonably satisfactory to the Administrative Agent; provided, that if Real Property secures any Obligations, flood hazard diligence, documentation and insurance shall comply with the Flood Disaster Protection Act or otherwise shall be satisfactory to all Lenders. All proceeds under each policy shall be payable to the Administrative Agent. From time to time upon request, the Loan Parties shall deliver to the Administrative Agent certified copies of its insurance policies and updated flood plain searches. Unless the Administrative Agent shall agree otherwise, each policy shall include endorsements in form and substance reasonably satisfactory to it (i) showing the Administrative Agent as loss payee (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies); (ii) requiring thirty (30) days prior written notice to the Administrative Agent in the event of cancellation of the policy for any reason whatsoever; and (iii) specifying that the interest of the Administrative Agent shall not be impaired or invalidated by any act or neglect of any Loan Party or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Loan Party fails to provide and pay for any insurance, the Administrative Agent may, at its option, but shall not be required to, procure the insurance and charge the Loan Parties therefor. Each Loan Party agrees to deliver to the Administrative, promptly as rendered, copies of all reports made to insurance companies (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies). While no Event of Default exists, the Loan Parties may settle, adjust or compromise any insurance claim, as long as the proceeds (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies) are delivered to the Administrative, subject to Loan Party reinvestment rights in accordance with this Agreement. If an Event of Default exists, only the Administrative Agent shall be authorized to settle, adjust and compromise such claims (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies).

(b) Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance or kidnap, ransom and terrorism policies) and any awards arising from condemnation of any Collateral shall be paid to the Administrative Agent upon receipt thereof; provided that, so long as no Event of Default exists, the Loan Parties shall have the right to elect to reinvest such proceeds to the extent provided in Section 2.1(g)(4). Subject to the Intercreditor Agreement, any such proceeds or awards that relate to any Collateral and not so reinvested shall be applied to payment of the Term Loans in accordance with Section 2.1(g)(4).

(c) If at any time the improvements on a Real Property are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" with respect to which flood insurance has been made available under Flood Insurance Laws, then the applicable Loan Party (i) has obtained and will maintain, with financially sound and reputable insurance companies (except to the extent that any insurance company insuring the Real Property of such Loan Party ceases to be financially sound and reputable after the Closing Date, in which case, Holdings or such Loan Party shall promptly replace such insurance company with a financially sound and reputable insurance company), such flood insurance in such reasonable total amount as the Administrative Agent and the Lenders may from time to time reasonably require, and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) promptly upon request of the Administrative Agent or any Lender, will deliver to the Administrative Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Administrative Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

(d) The Loan Parties shall maintain insurance with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) satisfactory to the Administrative Agent, (a) with respect to the Properties and business of the Loan Parties and Subsidiaries of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance), in such amounts, and with such coverages and deductibles as are customary for companies similarly situated, and (b) business interruption insurance in an amount not less than $4,000,000, with deductibles and subject to an endorsement or insurance assignment reasonably satisfactory to the Administrative Agent.

**5.8** **ERISA**. Each Loan Party agrees that all assumptions and methods used to determine the actuarial valuation of employee benefits, both vested and unvested, under any Plan, and each such Plan, will comply in all material respects with ERISA and other applicable laws.

(a) No Loan Party will at any time permit any Plan to:

(1) engage in any "prohibited transaction" for which an exemption is not available as such term is defined in Section 4975 of the Code or in Section 406 of ERISA;

(2) fail to satisfy the minimum funding standard as such term is defined in Section 302 of ERISA, whether or not waived;

(3) be terminated under circumstances which are likely to result in the imposition of a lien on the property of any Loan Party or any of their respective Subsidiaries pursuant to Section 4068 of ERISA, if and to the extent such termination is within the control of a Loan Party or any of the Subsidiaries; or

(4) be operated or administered in a manner which is not in compliance with ERISA or any applicable provisions of the Code;

if the event or condition described in clause (1), (2), (3) or (4) above could reasonably be expected to subject any Loan Party or any of their respective Subsidiaries to a Material Adverse Effect.

(b) Upon the request of the Administrative Agent or any Lender, the Borrower Agent will furnish a copy of the annual report of each Plan (Form 5500) required to be filed with the IRS. Copies of such annual reports shall be delivered no later than thirty (30) days after the date the copy is requested.

**5.9 Additional Subsidiary Guarantors**. The Borrower Agent shall notify the Administrative Agent within ten (10) Business Days after it makes an Investment in any Subsidiary or, within ten (10) Business Days after it creates an entity which is or becomes a Subsidiary, and promptly thereafter (and in any event within thirty (30) days), cause such Person (other than a Foreign Subsidiary) to (i) become a Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty or such other document as the Administrative Agent shall reasonably deem appropriate for such purpose, (ii) take all such action and execute such agreements, documents and instruments, including execution and delivery of a counterpart signature page to the Security Agreement and execution and delivery of such other Security Documents, that may be necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected security interest and Lien in any Collateral owned by such new Subsidiary (having the priority set forth in the Intercreditor Agreement) and (iii) deliver to the Administrative Agent documents of the types referred to in Section 3.1(a)(8) and, if reasonably requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clauses (i) and (ii) of this subsection), all in form, content and scope reasonably satisfactory to the Administrative Agent. Notwithstanding anything to the contrary set forth herein, no Subsidiary of Holdings may guarantee (or be a borrower under) the Revolving Loan Facility that does not also guarantee the Obligations (or is a Borrower hereunder)**; provided, that, notwithstanding the foregoing, EWGS, Eddi, GSD and Sunblaster Canada shall be permitted to be a borrower under the Revolving Loan Facility.**

**5.10 Landlord Agreements**. The Loan Parties shall use commercially reasonable efforts to obtain a landlord agreement or bailee or mortgagee waiver, as applicable, within sixty (60) days after the Closing Date from (a) the lessor of each Loan Party's chief executive office and each other location where any books and records of a Loan Party are held or maintained and (b) from the lessor of each leased property, bailee in possession of any Collateral or mortgagee of any owned property with respect to any location where Collateral with an aggregate fair market value in excess of $350,000 is stored or located.

**5.11 Cash Management Systems**. Within one-hundred twenty (120) days after the Closing Date, unless waived or extended by the Administrative Agent in its Permitted Discretion, each Loan Party shall enter into, and cause each depository, securities intermediary or commodities intermediary to enter into, control agreements subject to the provisions in the Security Agreement.

**5.12 Further Assurances**. Promptly upon reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request from time to time in order (i) to carry out the purposes of this Agreement or any other Loan Documents, (ii) to subject to the Liens in the Collateral granted by any of the Security Documents (having the priority set forth in the Intercreditor Agreement) any of the Collateral and (iii) to perfect and maintain the validity, effectiveness and priority of the Liens granted by any of the Security Documents and the Liens intended to be created thereby (in each case, subject to the terms of the Intercreditor Agreement). Notwithstanding anything to the contrary in this Agreement or any other Loan Document, so long as any Revolving Loan Obligations are outstanding, the actions and deliverables required by this Section 5.12 with respect to the Administrative Agent's security interest in any Revolving Loan Priority Collateral shall be subject to the terms of the Intercreditor Agreement and required only to the extent required under the Revolving Loan Documents. Notwithstanding anything to the contrary set forth herein or in the Security Agreement, the Borrowers shall not be required to execute and deliver a Mortgage in respect of the Colorado Property prior to the date that is 180 days following the Closing Date.

**5.13** **SBA Matters**. Each Loan Party will, and will cause each of its Subsidiaries to: (a) upon the request of any Lender that is a Small Business Investment Company (as defined in the SBIA), repay such Lender's Term Loan in full (including the applicable prepayment fee), in immediately available funds, in the event that any Borrower or any other Loan Party changes the nature of its business within one year after the Closing Date (or, if applicable, any later borrowing date hereunder) in a manner that would cause such Lender to have provided funds any Borrower or any other Loan Party pursuant to this Agreement or any other Loan Document in violation of 13 C.F.R. §§ 107.700-107.760 (as amended from time to time); (b) upon the request of any Lender that is a Small Business Investment Company or the SBA, (i) submit to such Lender and/or the SBA timely and accurate compliance reports at such times and in such form and containing such information as the SBA may determine to be necessary to enable the SBA to ascertain whether each Borrower and each other Loan Party have complied or are complying with 13 C.F.R. Part 112 ("Part 112"), (ii) submit to such Lender such information as may be necessary to enable such Lender to meet its reporting requirements under Part 112, and (iii) permit the SBA to have access with advance written notice and during normal business hours to such of its books, records, accounts and other sources of information, and its facilities as may be pertinent to ascertain compliance with Part 112. Where any information required of any Borrower or any other Loan Party is in the exclusive possession of any other agency, institution or Person and such agency, institution or Person shall fail or refuse to furnish this information, each Borrower and each other Loan Party shall so certify in its report and shall set forth what efforts it has made to obtain this information; and (c) upon any Lender's request, take any and all actions required to permit any Lender to comply with SBIA and applicable law, in the event such Lender is restricted or prohibited from holding Term Loans or Qualified Equity Interests in any Loan Party or any Affiliate thereof as a result of any noncompliance thereunder.

**5.14** **OFAC; Patriot Act**. The Loan Parties shall, and shall cause their Subsidiaries to, comply with the laws, regulations and executive orders referred to in Section 4.27 and Section 4.28 (subject to any materiality qualifiers set forth in such Section 4.27 and Section 4.28).

**5.15** **Senior Credit Enhancements**. If the Revolving Loan Agent or any Revolving Loan Lender under the Revolving Loan Documents receives any additional guaranty, Collateral or other credit enhancement after the Closing Date, each Loan Party shall cause the same to be granted to the Administrative Agent and the Lenders, subject to the terms of the Intercreditor Agreement.

## ARTICLE VI
## FINANCIAL COVENANTS AND NEGATIVE COVENANTS

The Loan Parties agree with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loans shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**6.1** **Financial Covenants**.

(a) Fixed Charge Coverage Ratio. The Borrowers shall not permit the Fixed Charge Coverage Ratio for the date set forth in the table below for the Test Period ending on such date to be less than the minimum ratio set forth opposite such date:

| Fiscal Quarter Ending | Minimum Fixed Charge Coverage Ratio |
|---|---|
| June 30, 2017 | 1.25:1.00 |
| September 30, 2017 | 1.25:1.00 |
| December 31, 2017 | 1.25:1.00 |
| March 31, 2018 | 1.25:1.00 |
| June 30, 2018 | 1.50:1.00 |
| September 30, 2018 | 1.50:1.00 |
| December 31, 2018 | 1.50:1.00 |
| March 31, 2019 | 1.50:1.00 |
| June 30, 2019 | 1.75:1.00 |
| September 30, 2019 | 1.75:1.00 |
| December 31, 2019 | 1.75:1.00 |
| March 31, 2020 | 1.75:1.00 |
| June 30, 2020 | 1.75:1.00 |
| September 30, 2020 | 1.75:1.00 |
| December 31, 2020 | 1.75:1.00 |
| March 31, 2021 | 1.75:1.00 |
| June 30, 2021 | 1.75:1.00 |
| September 30, 2021 | 1.75:1.00 |
| December 31, 2021<br>and the last day of each fiscal quarter thereafter | 2.00:1.00 |

(b) Total Net Leverage Ratio. The Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Fiscal Quarter Ending | Maximum Total Net Leverage Ratio |
|---|---|
| June 30, 2017 | 5.50:1.00 |
| September 30, 2017 | 5.50:1.00 |
| December 31, 2017 | 5.25:1.00 |
| March 31, 2018 | 5.25:1.00 |
| June 30, 2018 | 5.00:1.00 |
| September 30, 2018 | 4.75:1.00 |
| December 31, 2018 | 4.75:1.00 |
| March 31, 2019 | 4.75:1.00 |
| June 30, 2019 | 4.50:1.00 |
| September 30, 2019 | 4.50:1.00 |
| December 31, 2019 | 4.00:1.00 |
| March 31, 2020 | 4.00:1.00 |
| June 30, 2020 | 4.00:1.00 |
| September 30, 2020 | 4.00:1.00 |
| December 31, 2020<br>and the last day of each fiscal quarter thereafter | 3.75:1.00 |

(c) Equity Cure Contributions. For purposes of determining compliance with the Financial Covenants as of the last day of any fiscal quarter of the Borrower, any cash equity contribution to the Borrower by Holdings (to the extent funded by Holdings from the proceeds of the issuance of Qualified Equity Interests or Permitted Affiliate Sub Debt by Holdings) after the last day of any fiscal quarter and on or prior to the day that is fifteen (15) Business Days after the day on which financial statements are required to be delivered for such fiscal quarter (each an "Equity Cure Contribution") will, at the request of the Borrower, be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants for the applicable fiscal quarter and any applicable subsequent periods that include such fiscal quarter; provided, that (i) in each four (4) fiscal quarter period, there shall be a period of at least two (2) fiscal quarters in which no Equity Cure Contribution is made and only four (4) Equity Cure Contributions may be made during the term of this Agreement, (ii) the amount of any Equity Cure Contributions shall not exceed the amount required to cause the Borrower to be in compliance with the Financial Covenants, (iii) all Equity Cure Contributions will be used solely for curing the Financial Covenants and will be disregarded for purposes of determining the availability of any baskets, pricing or step-downs with respect to other provisions contained in the Loan Documents, (iv) the proceeds of each Equity Cure Contribution shall have been contributed to the Borrower as a cash common equity contribution or as Permitted Affiliate Sub Debt and shall be promptly used by the Borrower to prepay the Term Loans pursuant to Section 2.1(g)(6) and (e) there shall be no pro forma or other reduction of Total Net Debt (including by way of cash netting) using the proceeds of any Equity Cure Contribution for purposes of determining compliance for the fiscal quarter (and subsequent quarters in the applicable Test Period) in respect of which such Equity Cure Contribution was made.

**6.2** **Limitations on Indebtedness**. The Loan Parties shall not, and shall not permit any of their Subsidiaries to, create, assume, incur, issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any Indebtedness, except the following (the "Permitted Indebtedness"):

(a) the Obligations;

(b) Subordinated Indebtedness in an aggregate amount outstanding (together with any Refinancing Debt in respect thereof) at any time not in excess of $20,000,000; provided, that, in the event that such Subordinated Indebtedness is Permitted Affiliate Sub Debt, subject to the Intercreditor Agreement, 100% of the proceeds thereof are immediately applied by Holdings to make a Specified Equity Contribution in the Borrower Agent in accordance with Section 6.1(e);

(c) Permitted Purchase Money Debt;

(d) Indebtedness (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations) set forth on **Schedule 6.2** (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations), but only to the extent outstanding on the Closing Date and not satisfied with proceeds of the Term Loans;

(e) Indebtedness that is in existence when a Person becomes a Subsidiary or that is secured by an asset when acquired by a Loan Party or Subsidiary, as long as (i) such Indebtedness was not incurred in contemplation of such Person becoming a Subsidiary or such acquisition, and (i) the aggregate amount of Indebtedness outstanding under this clause (e) (together with any Refinancing Debt in respect thereof) does not exceed $1,000,000 in the aggregate at any time;

(f) Permitted Contingent Obligations;

(g) Revolving Loan Obligations so long as such obligations do not exceed the Revolving Loan Maximum Amount, subject to the limitations set forth in the Intercreditor Agreement**; provided, that, the maximum aggregate amount of Revolving Loan Obligations specified in clause (a)(i) of the definition of "Revolving Loan Maximum Amount" set forth in the Intercreditor Agreement of any Person other than the Loan Parties that shall be permitted under this clause (g) shall not exceed $10,000,000**;

(h) Refinancing Debt as long as each Refinancing Condition is satisfied;

(i) intercompany loans by a Borrower or a Wholly Owned Loan Party to a Borrower or a Wholly Owned Loan Party;

(j) Indebtedness in respect of appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances, in each case, issued for the account of any Loan Party in the Ordinary Course of Business, including guarantees or obligations of any Loan Party with respect to letters of credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(k) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business;

(l) Subordinated Indebtedness of any Loan Party to repurchase Equity Interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director, so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this clause (l) does not exceed $1,000,000 in the aggregate at any time;

(m) Indebtedness consisting of accrued and unpaid management fees permitted under the Management Agreements;

(n) Indebtedness consisting of any final judgment rendered against any Loan Party that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constituting an Event of Default in accordance with Section 7.1(g) hereof;

(o) Indebtedness that is not included in any of the preceding clauses of this Section 6.2, is not secured by a Lien and does not exceed $1,000,000 in the aggregate at any time outstanding; ~~and~~

(p) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (o) above~~.~~**; and**

**(q) the Asset Acquisition Earnout Obligations.**

**6.3 Liens**. The Loan Parties shall not, and will cause their Subsidiaries not to, create, incur, assume or permit to exist or to be created or assumed any Lien on any of their respective Property, whether now owned or hereafter acquired, except the following (the "Permitted Liens"):

(a) Liens in favor of the Administrative Agent for the benefit of the Secured Parties or otherwise to secure the Obligations;

(b) Purchase Money Liens securing Permitted Purchase Money Debt;

(c) Liens for Taxes not yet due or being Properly Contested;

(d) statutory Liens (other than Liens for Taxes or imposed under ERISA **or PBA**) arising in the Ordinary Course of Business, but only if (i) payment of the obligations secured thereby is not yet due or is being Properly Contested, and (ii) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Loan Party or Subsidiary;

(e) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and are required or provided by law;

(f) Liens arising by virtue of a judgment or judicial order against any Loan Party or Subsidiary, or any Property of a Loan Party or Subsidiary, as long as such Liens are (i) in existence for less than 20 consecutive days or being Properly Contested, and (ii) at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties;

(g) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Property, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business;

(h) normal and customary rights of setoff upon deposits in favor of depository institutions, and Liens of a collecting bank on Payment Items in the course of collection;

(i) Liens on assets (other than accounts receivable and inventory) acquired in a Permitted Acquisition, securing Indebtedness permitted by Section 6.2(e);

(j) Liens securing Indebtedness under the Revolving Loan Documents permitted by Section 6.2(g) to the extent such Liens are subject to the Intercreditor Agreement

(k) Liens existing on the Closing Date and set forth on **Schedule 6.3**;

(l) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness;

(m) licenses or sublicenses of Intellectual Property granted by any Loan Party in the Ordinary Course of Business;

(n) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods;

(o) Liens for the benefit of a seller attaching solely to cash earnest money deposits in connection with a letter of intent or acquisition agreement with respect to a Permitted Acquisition;

(p) Liens on an insurance policy of any Loan Party and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Indebtedness permitted to finance the premiums of such policies; and

(q) statutory Liens arising in the Ordinary Course of Business that are not related to Indebtedness for borrowed money so long as (x) such Liens are subject to a landlord agreement or bailee or mortgagee waiver, as applicable, in form and substance acceptable to the Administrative Agent and (y) such Liens are similarly permitted under the Revolving Loan Agreement pursuant to clause (~~f~~vi) of Section ~~10.2.2~~10.2(a) of the Revolving Loan Agreement.

**6.4** **Sales of Assets**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Asset Dispositions, except for:

(a) a sale or lease of inventory in the Ordinary Course of Business;

(b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from a Loan Party's or Subsidiary's default;

(c) a lease or sublease of Real Property in the Ordinary Course of Business;

(d) a license or sublicense of Intellectual Property (including, without limitation, any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business;

(e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term;

(f) Asset Dispositions of cash equivalents in the Ordinary Course of Business;

(g) Asset Dispositions of Property to a Borrower or any Wholly Owned Loan Party (other than Holdings);

(h) Restricted Payments by the Loan Parties and their Subsidiaries, in each case solely to the extent expressly permitted by Section 6.10;

(i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due;

(j) Asset Dispositions approved in writing by the Administrative Agent and Required Lenders;

(k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days (and if so committed to be replaced, actually replaced no later than ninety (90) days after the end of such 180 day period) with another asset useful in the Loan Parties' business (so long as the Administrative Agent has a first priority and perfected Lien on any newly-acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than accounts receivable or inventory) that, in the aggregate during any 12 fiscal month period, has a fair market or book value (whichever is more) of $1,000,000 or less, or (iii) Asset Dispositions of Property (other than accounts receivable or inventory) that is obsolete or no longer used or useful in the business or inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business;

(l) replacement of equipment that is worn, damaged or obsolete with equipment of like function and value, if the replacement equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Administrative Agent) and is free of Liens other than Permitted Liens; or

(m) a sale or disposition of the Colorado Property so long as (i) no Default or Event of Default exists or results therefrom, (ii) 100% of the consideration received from such sale or disposition is in the form of cash, (iii) the purchase price of such sale or disposition is for at least fair market value, and (iv) the Net Cash Proceeds of such sale or other disposition are applied to make a prepayment of the Term Loans in accordance with Section 2.01(g)(4).

**6.5 Liquidations, Mergers and Consolidations**. Except as permitted pursuant to Sections 6.6 and 6.8 and except for the merger, consolidation or amalgamation of any Loan Party or any Subsidiary of any Loan Party into a Borrower or any Wholly Owned Loan Party, the Loan Parties shall not, and will cause their Subsidiaries not to, liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, or consolidate with or merge into any other Person, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets or less than all the Equity Interests of a Borrower or any of their Subsidiaries; provided that any Subsidiary of a Borrower may liquidate or dissolve or change its legal form if the Borrowers determine in good faith that such action is in the best interests of the Borrowers and their Subsidiaries and is not materially disadvantageous to the Lenders so long as (A) no Event of Default shall result therefrom and (B) the surviving Person or the Person who receives the assets of such dissolving or liquidated Subsidiary that is Loan Party shall be a Borrower or a Wholly Owned Loan Party; provided, further, that if a Borrower is a party to any such transaction, a Borrower shall be the surviving entity of such transaction.

**6.6 Investments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make or permit to exist any Investment, except that, so long as no Event of Default then exists or is caused thereby, the Borrowers and their Subsidiaries may make Permitted Investments.

**6.7 Transactions with Affiliates**. The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any transaction (including the purchase, sale or exchange of Property, the rendering of any service, the making of any Investment in an Affiliate or the repayment of any Indebtedness owed to an Affiliate) with an Affiliate (other than any such transactions among the Loan Parties), except for (i) any agreement, instrument or arrangement as in effect as of the Closing Date and set forth on **Schedule 6.7**, or any amendment thereto (so long as any such amendment is not adverse to the Lenders in any material respect as compared to the applicable agreement as in effect on the Closing Date) and (ii) any material transaction in the ordinary course of business and pursuant to the reasonable requirements of the Loan Parties and their Subsidiaries business, upon terms which are fair and reasonable to the Loan Parties and their Subsidiaries and which are not less favorable to the Loan Parties and their Subsidiaries than would be obtained in a comparable transaction with a Person not an Affiliate; provided, that, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the Borrowers may pay Permitted Management Fees.

**6.8 Acquisitions**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Acquisitions, except that the Borrowers and their Subsidiaries may make Permitted Acquisitions.

**6.9 Amendment and Waiver**.

(a) The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any amendment of, or agree to or accept or consent to any waiver of any of the provisions of its Organic Documents in any manner that is adverse to the Administrative Agent or the Lenders, other than any amendment of any Organic Documents of Holdings necessary to facilitate the issuance of Equity Interests of Holdings so long as such amendment is not adverse to the Administrative Agent or the Lenders.

(b) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Revolving Loan Obligations (including, without limitation, the Revolving Loan Documents) except to the extent permitted by the Intercreditor Agreement.

(c) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any Management Agreement in any manner that is adverse to the Administrative Agent or the Lenders (it being understood that any amendment or modification to any Management Agreement that has the effect of either (x) increasing the fees or other amounts payable to any Manager thereunder or (y) modifying the subordination provisions set forth therein shall, in any such event, be adverse to the Administrative Agent or the Lenders).

(d) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Hydrofarm Acquisition (including the Hydrofarm Acquisition Agreement**) or any Canadian Acquisition (including the Canadian Purchase Agreements**) in any manner that (i) is contrary to the terms of this Agreement or any other Loan Document, or (ii) could reasonably be expected to result in a Material Adverse Effect or otherwise be materially adverse to the rights, interests or privileges of the Administrative Agent or Lenders or their ability to enforce the Loan Documents.

(e) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Permitted Affiliate Sub Debt.

(f) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Subordinated Indebtedness (other that Permitted Affiliate Sub Debt which is governed by clause (e) above) if the effect thereof (i) increases the principal balance of such Subordinated Indebtedness, or increases any required payment of principal or interest, (ii) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions, (iii) shortens the final maturity date or otherwise accelerates amortization, (iv) increases the interest rate, (v) increases or adds any fees or charges, (vi) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Loan Party or Subsidiary, or that is otherwise materially adverse to any Loan Party, any Subsidiary or the Lenders, or (vii) results in the Obligations not being fully benefited by the subordination provisions thereof.

**6.10** **Restricted Payments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Restricted Payment, except that the Loan Parties and their Subsidiaries may:

(a) make Tax Distributions to Holdings (and, from the proceeds thereof, Holdings may make Tax Distributions to the holders of its Equity Interests), in each case, in the Ordinary Course of Business; and

(b) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) pay Permitted Management Fees in an amount not to exceed $850,000 per fiscal year; (ii) pay (or make Restricted Payments to allow Holdings or any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests or Equity Interests Equivalents of Holdings (or of any direct or indirect parent thereof) held by any future, present or former employee, director, consultant or distributor (or any spouses, former spouses, successors, executors, administrators, heirs, legatees or distributees of any of the foregoing) of a Borrower or any of their Subsidiaries upon the death, disability, retirement or termination of employment of any such Person or otherwise pursuant to any employee or director equity plan, employee or director stock option or profits interest plan or any other employee or director benefit plan or any agreement (including any separation, stock subscription, shareholder or partnership agreement) with any employee, director, consultant or distributor of a Borrower or any of their Subsidiaries in an aggregate amount after the Closing Date not to exceed, together with any payments made under any other Indebtedness permitted under Section 6. 2(l), $500,000 in any calendar year, in each case so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof; and (iii) provided that (1) the Loan Parties are in pro forma compliance with the Financial Covenants, after giving effect thereto, as of the last day of the most recently ended Test Period, and (2) the Loan Parties' have pro forma minimum Liquidity of at least $10,000,000, make Restricted Payments in an amount not to exceed $500,000 in the aggregate.

**6.11** **Payments in Respect of Certain Indebtedness**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance, purchase or acquisition, and whether of interest, principal or any other amounts) with respect to:

(a) any Subordinated Indebtedness (other than Permitted Affiliate Sub Debt, which shall be subject to clause (c)), except regularly scheduled payments of principal, interest and fees, but only to the extent permitted under any subordination agreement relating to such Indebtedness (and a Responsible Officer of Borrower Agent shall certify to the Administrative Agent, not less than five Business Days prior to the date of payment, that all conditions under such agreement have been satisfied);

(b) any mandatory prepayments under the Revolving Loan Obligations or any other Indebtedness under the Revolving Loan Documents to the extent any such mandatory payments are prohibited from being paid pursuant to the terms of the Intercreditor Agreement;

(c) any Permitted Affiliate Sub Debt; or

(d) any Indebtedness (other than the Obligations, Subordinated Indebtedness, the Revolving Loan Obligations or Permitted Affiliate Sub Debt), except, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) required payments under the agreements evidencing such Indebtedness as in effect on the Closing Date (or as amended thereafter with the consent of the Administrative Agent), or (ii) payments in an aggregate amount not to exceed $500,000 in any fiscal year of the Borrowers.

**6.12** **Change in Business**. The Loan Parties shall not, and will cause their Subsidiaries not to, engage in any business, other than its business as conducted on the Closing Date and any activities incidental thereto.

**6.13** **Changes in Accounting, Name and Jurisdiction of Organization**. The Loan Parties shall not, and will cause their Subsidiaries not to, (i) change their fiscal year, (ii) change its name as it appears in official filings in its jurisdiction of organization or (iii) change its jurisdiction or form of organization, in the case of clauses (ii) and (iii), without at least ten (10) Business Days' prior written notice to the Administrative Agent and the acknowledgement of the Administrative Agent that all actions reasonably required by the Administrative Agent have been completed.

**6.14** **No Negative Pledges**. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance of any kind on the ability of any Subsidiary to pay dividends or make any other distribution on any of such Subsidiary's Equity Interests or Equity Interests Equivalents or to pay fees, including management fees, or make other payments and distributions to a Borrower or any Subsidiary, except pursuant to the terms of the Loan Documents and the Revolving Loan Documents. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, enter into, assume or become subject to any contractual obligation prohibiting or otherwise restricting the existence of any Lien upon any Collateral in favor of the Administrative Agent to secure the Obligations, whether now owned or hereafter acquired except (i) in connection with any document or instrument governing Liens permitted herein, provided that any such restriction contained therein relates only to the Property subject to such Permitted Liens, (ii) with consent of the Administrative Agent and (iii) pursuant to the Revolving Loan Documents and the Intercreditor Agreement. Nothing in this Section 6.14 shall prohibit (1) this Agreement or any of the other Loan Documents, (2) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted hereunder pending the consummation of such sale, (3) restrictions imposed by applicable law, (4) any agreement in effect at the time a Person first became a Subsidiary of any Loan Party, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary and such restrictions are limited to such Subsidiary and its Subsidiaries, (5) in the case of any Subsidiary that is not a wholly-owned Subsidiary of Holdings, restrictions and conditions imposed by its organizational documents or any related joint venture, shareholder or similar agreements, or (6) contained in any financing documentation governing Indebtedness permitted to be incurred hereunder that are incurred by a Subsidiary that is not required to be a Guarantor, so long as such restrictions operate only upon the occurrence and during the continuance of an event of default under the documentation governing such Indebtedness and only impose restrictions on such Subsidiary and its Subsidiaries.

**6.15** **Holding Company Status**. Notwithstanding anything contained in this Agreement or the other Loan Documents to the contrary, Holdings shall not (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents and the Related Agreements, (b) hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), (c) incur any liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, Permitted Contingent Obligations and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents, (d) merge, amalgamate or consolidate with any other Person, (e) sell or otherwise transfer any of its assets, (f) permit or suffer to exist any Lien on any of its assets other than Permitted Liens, or (g) accept or receive any Collateral (other than distributions that are expressly permitted by Section 6.10).

**6.16** **Use of Proceeds**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, use the proceeds of the Term Loans other than for lawful purposes and in accordance with Sections 4.10 and 4.12.

**6.17** **Tax Consolidation**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person other than Holdings, the Borrowers and their Subsidiaries.

**6.18** **Accounting Changes**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, make any material change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year or any fiscal quarter.

**6.19** **Hedging Agreements**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, enter into any Swap Contract, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

**6.20** **Plans**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, become party to any Multiemployer Plan ~~or~~, **Canadian Multi-Employer Plan,** Foreign Plan **or Canadian Defined Benefit Pension Plan**, other than any in existence on the Closing Date **or maintain, contribute or have any liability in respect of, or acquire any Person that maintains, contributes or has any liability in respect of, a Canadian Pension Plan or Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan during the term of this Agreement**.

## ARTICLE VII
## EVENTS OF DEFAULT

**7.1** **Events of Default**. The term "Event of Default" means any of the following events occurring for whatever reason, whether voluntary or involuntary, effected by operation of law, judgment, order or otherwise:

(a) A failure to pay when and as due any Obligations (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of a Loan Party made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) A default in the due performance and observance of any of the covenants or agreements contained in Sections 5.1, 5.2(a), 5.5, 5.6, 5.7, 5.13, 5.14 or 9.23 or Article VI;

(d) A Loan Party breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within thirty (30) days after a Responsible Officer of such Loan Party has knowledge thereof or receives notice thereof from the Administrative Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by a Loan Party;

(e) Any of the following shall occur: (i) a Guarantor repudiates, revokes or attempts to revoke its Guaranty, (ii) a Loan Party or an Affiliate thereof denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to the Administrative Agent for the benefit of the Secured Parties (except as modified by the Intercreditor Agreement), or (iii) any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by the Administrative Agent and Lenders);

(f) Any breach or default of a Loan Party **or Canadian Subsidiary** occurs under (i) any Swap Contract or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound relating to (x) the Revolving Loan Obligations or (y) any other Indebtedness (other than the Obligations or the Revolving Loan Obligations), in the case of this clause (y), in excess of $1,000,000, in either case of clauses (i) or (ii), if the maturity of or any payment with respect to such Indebtedness may be accelerated or demanded due to such breach;

(g) Any final judgment or order for the payment of money is entered against a Loan Party **or Canadian Subsidiary** in an amount that remains unpaid for more than ten (10) days and that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Loan Parties **and Canadian Subsidiaries**, $1,000,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect;

(h) A loss, theft, damage or destruction occurs with respect to any Term Loan Priority Collateral if the amount not covered by insurance exceeds $1,000,000;

(i) Any of the following shall occur: (i) a Loan Party **or Canadian Subsidiary** is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business, (ii) a Loan Party **or Canadian Subsidiary** suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business, (iii) there is a cessation of any material part of ~~an~~**a** Loan Party**'s or Canadian Subsidiary**'s business for a material period of time, (iv) any material Collateral or Property of a Loan Party **or Canadian Subsidiary** is taken or impaired through condemnation **or expropriation**, (v) except as expressly permitted by Section 5.2, a Loan Party **or Canadian Subsidiary** agrees to or commences any liquidation, dissolution or winding up of its affairs, or (vi) a Loan Party **or Canadian Subsidiary** is not Solvent;

(j) Any of the following shall occur: (i) an Insolvency Proceeding is commenced by a Loan Party **or Canadian Subsidiary**, (ii) a Loan Party **or Canadian Subsidiary** makes an offer of settlement, extension or composition to its unsecured creditors generally, (iii) a Loan Party **or Canadian Subsidiary** admits in writing its inability to pay its obligations generally as they become due, (iv) a trustee**, receiver, interim receiver or similar official** is appointed to take possession of any substantial Property of or to operate any of the business of **a** Loan Party **or Canadian Subsidiary**, or (v) an Insolvency Proceeding is commenced against **a** Loan Party **or Canadian Subsidiary** and, in the case of this clause (v), (A) the Loan Party **or Canadian Subsidiary** consents to institution of the proceeding, (B) the petition commencing the proceeding is not timely contested by the Loan Party **or Canadian Subsidiary**, (C) the petition is not dismissed within 60 days after filing, or (D) an order for relief is entered in the proceeding;

(k) Any of the following shall occur: (i) an ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of a Loan Party or ERISA Affiliate to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan, (ii) a Loan Party or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, or (iii) any event similar to the foregoing occurs or exists with respect to a Foreign Plan;

**(l)** **Any of the following shall occur: (i) a Termination Event shall occur or any Canadian Multi-Employer Plan or Canadian Defined Benefit Pension Plan shall be terminated, in each case, in circumstances which would result or could reasonably be expected to result in a Canadian Subsidiary being required to make a contribution to or in respect of a Canadian Pension Plan, a Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan, or results in the appointment, by FSCO, of an administrator to wind up a Canadian Pension Plan, or (ii) any Canadian Subsidiary is in default with respect to any required contributions to a Canadian Pension Plan;**

**(m)** ~~(l)~~ A Loan Party or its chairman of the board, president, chief executive officer or chief financial officer is criminally indicted or convicted for (i) a felony committed in the conduct of the Loan Party's business, or (ii) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property of any Loan Party or any Collateral;

**(n)** ~~(m)~~ A Change of Control occurs;

**(o)** ~~(n)~~ Any of the following shall occur: (i) the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall contest in any manner, or assist any Person party thereto to contest in any manner, the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement, the Security Documents or the Intercreditor Agreement or (ii) the subordination provisions of any agreement or instrument relating to any Subordinated Indebtedness shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than the Administrative Agent or the Lenders) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions; or

**(p)** ~~(o)~~ Any Loan Document or any material provision of any Loan Document shall at any time and for any reason cease to be valid and binding on or enforceable against any Loan Party party thereto or any Loan Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any security interest and Lien on the Collateral purported to be granted to the Administrative Agent for the benefit of the Secured Parties by any Security Document shall for any reason (other than as expressly permitted hereunder or pursuant to the terms thereof) cease to be in full force and effect or create a valid security interest in any material portion of the Collateral or such security interest shall for any reason (other than the failure of the Administrative Agent to take any action within its control) cease to be a perfected security interest with the priority stated in the Security Documents, except (in each case) (x) to the extent that any such grant, perfection or priority is not required pursuant to the terms hereof or the Security Documents and (y) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage.

**7.2** **Action If Event of Default**. If an Event of Default described in Section 7.1(j) shall occur, to the extent permitted by law, the full unpaid principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder shall automatically be due and payable without any declaration, notice, presentment, protest or demand of any kind (all of which are hereby waived). If any Event of Default other than pursuant to Section 7.1(j) shall occur and be continuing, the Required Lenders, upon written notice to the Borrower Agent (which shall be given by the Administrative Agent at the request of the Required Lenders), may declare the outstanding principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder to be due and payable without other notice to any Borrower, presentment, protest or demand of any kind (all of which are hereby waived), whereupon the full unpaid amount of the Term Loans and any and all other Obligations, which shall be so declared due and payable shall bear interest at the Default Rate and shall be and become immediately due and payable.

**7.3 Remedies**.

(a) Upon acceleration of the Term Loans, as provided in Section 7.2, the Administrative Agent shall, at the request of the Required Lenders, exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents and/or under applicable law.

(b) The Administrative Agent, personally or by attorney, shall, at the request of the Required Lenders, proceed to protect and enforce its rights and the rights of the Lenders by pursuing any available remedy, including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in this Agreement or in the Notes, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Administrative Agent shall deem most effectual to collect the payments then due and thereafter to become due on the Notes or under this Agreement, to enforce performance and observance of any obligation, agreement or covenant of a Borrower hereunder or under the Notes or to protect and enforce any of the Administrative Agent's or any Lender's rights or duties hereunder.

(c) Upon acceleration of the Term Loans, as provided in Section 7.2, to the extent permitted by law, the Administrative Agent shall, if so directed by the Required Lenders, have the right to the appointment of a receiver for the Collateral of the Loan Parties pledged to secure the Obligations, both to operate and to sell such Collateral, and each Borrower hereby consents to such right and such appointment and hereby waives, to the fullest extent permitted by applicable law, any objection each Borrower may have thereto or the right to have a bond or other security posted by the Administrative Agent on behalf of the Lenders in connection therewith.

(d) No remedy herein conferred upon or reserved to the Administrative Agent or any Lender is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or under any other Loan Document now or hereafter existing at law, in equity or by statute.

(e) Each Lender agrees that it will not take any action, nor institute any actions or proceedings, against a Borrower hereunder or under any Loan Document, without the prior written consent of the Required Lenders or, as may be provided in this Agreement or the other Loan Documents, at the direction of the Administrative Agent with the consent of the Required Lenders.

**ARTICLE VIII**
**THE ADMINISTRATIVE AGENT**

**8.1** **Appointment and Authorization**. Each Lender hereby irrevocably appoints the Administrative Agent as the Administrative Agent of such Lender and authorizes the Administrative Agent to act on such Lender's behalf to the extent provided herein or under any of the other Loan Documents, and to take such other action and exercise such other powers as may be reasonably incidental thereto. Each Lender hereby agrees that it will require any transferee of any of such Lender's interests in its Term Loans to irrevocably appoint and authorize the Administrative Agent as such transferee's Administrative Agent in accordance with the terms hereof. Notwithstanding the use of the term "agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to the Loan Parties, any of the Lenders or any other Person (and no such fiduciary duties shall be implied) and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. The Borrowers, on behalf of the Loan Parties, and each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims the Borrowers and each Lender hereby waives.

**8.2** **Power**. The Administrative Agent shall have and may exercise such powers under this Agreement and any other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of the Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to any Loan Document or applicable law. The Administrative Agent shall not have any implied duties or any obligation to take any action under this Agreement or any other Loan Document except such action as is specifically provided by this Agreement or any other Loan Document to be taken by the Administrative Agent.

**8.3** **Interest Holders**. The Administrative Agent may treat each Lender, or the Person designated in the last notice filed with the Administrative Agent, whether under Section 9.3 or 9.9, or otherwise hereunder, as the holder of all of the interests of such Lender in its Term Loans until written notice of transfer, signed by such Lender (or the Person designated in the last notice filed with the Administrative Agent) and by the Person designated in such written notice of transfer, in form and substance satisfactory to the Administrative Agent, shall have been filed with the Administrative Agent.

**8.4** **Employment of Counsel; etc**. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document, and any instrument, agreement or document executed, issued or delivered pursuant or in connection herewith or therewith, by or through employees, agents and attorneys-in-fact and shall not be answerable for the default or misconduct of any such employee, agent or attorney-in-fact selected by it with reasonable care (other than employees, officers and directors of the Administrative Agent, when acting on behalf of the Administrative Agent). The Administrative Agent shall be entitled to rely on advice of counsel (including counsel who are the employees of the Administrative Agent) selected by the Administrative Agent concerning all matters pertaining to the agency hereby created and its duties under any of the Loan Documents.

**8.5** **Reliance**. The Administrative Agent shall be entitled to rely upon and shall not be under a duty to examine or pass upon the validity, effectiveness, genuineness of this Agreement, any other Loan Document or any notice, consent, waiver, amendment, certificate, affidavit, letter, telegram, statement, paper, document or writing furnished pursuant to this Agreement or any other Loan Document, and the Administrative Agent shall be entitled to assume (absent actual knowledge to the contrary) that the same are valid, effective and genuine, have been signed or sent by the proper Person(s) and are what they purport to be. The Administrative Agent shall be entitled to assume that no Default has occurred and is continuing unless it has actual knowledge, or has been notified in writing by the Borrower Agent, of such fact, or has been notified by a Lender in writing that such Lender considers that a Default has occurred and is continuing, and such Lender shall specify in detail the nature thereof in writing. The Administrative Agent shall not be liable hereunder for any action taken or omitted to be taken except for its own gross negligence or willful misconduct. The Administrative Agent shall provide promptly each Lender with copies of such documents received from the Borrower Agent pursuant to the terms of this Agreement or any other Loan Document as such Lender may reasonably request.

**8.6** **General Immunity**. Neither the Administrative Agent nor any of the Administrative Agent's directors, officers, agents, attorneys or employees shall be liable or responsible in any manner to any Loan Party, any Lender or any other Person for any action taken or omitted to be taken by it or them under the Loan Documents or in connection therewith except for any liability imposed by law for its own willful misconduct or gross negligence. Without limitation on the generality of the foregoing, the Administrative Agent: (a) shall not be responsible to any Lender for any recitals, statements, warranties, representations, or failure or delay of performance under the Loan Documents or any agreement or document related thereto or for the financial condition of the Loan Parties; (b) shall not be responsible for the authenticity, accuracy, completeness, value, validity, effectiveness, due execution, legality, genuineness, enforceability or sufficiency of any of the Loan Documents, any provisions thereof or any document contemplated thereby; (c) shall not be responsible for the validity, genuineness, creation, perfection or priority of any of the Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security; (d) shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, covenants or conditions of any of the Loan Documents on the part of the Loan Parties or of any of the terms of any such agreement by any party thereto and shall have no duty to inspect the property (including the books and records) of the Loan Parties; (e) shall incur no liability under or in respect of any of the Loan Documents or any other document or Collateral by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) furnished pursuant to this Agreement or any other Loan Document; (f) shall incur no liability to the Loan Parties or any other Person as a consequence of any failure or delay in performance by, or any breach by, any Lender or Lenders of any of its or their obligations under this Agreement; and (g) may consult with legal counsel (including counsel for the Borrowers), independent public accountants and other experts selected by the Administrative Agent.

**8.7** **Credit Analysis**. Each Lender has made, and shall continue to make, its own independent investigation or evaluation of the operations, business, property and condition, financial and otherwise, of the Loan Parties in connection with the making of its commitments hereunder and has made, and will continue to make, its own independent appraisal of the creditworthiness of the Loan Parties. Without limiting the generality of the foregoing, each Lender acknowledges that prior to the execution of this Agreement, it had this Agreement and all other Loan Documents and such other documents or matters as it deemed appropriate relating thereto reviewed by its own legal counsel as it deemed appropriate, and it is satisfied with the form and substance of this Agreement and all other Loan Documents. Each Lender agrees and acknowledges that neither the Administrative Agent nor any of its directors, officers, attorneys or employees makes any representation or warranties about the creditworthiness of the Loan Parties or with respect to the due execution, legality, validity, genuineness, effectiveness, sufficiency or enforceability of this Agreement or any other Loan Documents, or the validity, genuineness, execution, perfection or priority of Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security. Except as explicitly provided herein, neither the Administrative Agent nor any Lender has any duty or responsibility, either initially or on a continuing basis, to provide any other Lender with any credit or other information with respect to such operations, business, property, condition or creditworthiness, whether such information comes into its possession on or before a Default or an Event of Default or at any time thereafter.

**8.8** **Administrative Agent and Affiliates**. With respect to the Term Loans made by it and the Notes issued to it, the Administrative Agent, in its individual capacity, shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not an Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent, in its individual capacity, and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Loan Parties, and any Person who may do business with or own securities of the Loan Parties, all as if it were not an Administrative Agent and without any duty to account therefor to the Lenders.

**8.9** **Indemnification**. The Lenders jointly and severally agree to indemnify and hold harmless the Administrative Agent and its officers, directors, employees and agents (to the extent not reimbursed by the Borrowers), ratably according to their respective Commitments and Term Loans, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or any of its officers, directors, employees or agents, in any way relating to or arising out of any investigation, litigation or proceeding concerning or relating to the transaction contemplated by this Agreement or any of the other Loan Documents, or any of them, or any action taken or omitted by the Administrative Agent or any of its officers, directors, employees or agents, under any of the Loan Documents; provided, however, that no Lender shall be liable for any portion of such claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent or any of its officers, directors, employees or agents. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for such Lender's proportionate share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent or its officers, directors, employees or agents in connection with the preparation, execution, administration, or enforcement of, or legal advice in respect of rights or responsibilities under any of, the Loan Documents, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrowers.

**8.10** **Security Documents**. The Administrative Agent, as collateral agent hereunder and under the Security Documents, is hereby authorized to act on behalf of the Secured Parties, in its own capacity and through other agents and sub-agents appointed by it in good faith, under the Security Documents, provided that the Administrative Agent shall not agree to the release of any Collateral, or any property encumbered by any mortgage, pledge or security interests except in compliance with Section 8.11. In connection with its role as secured party with respect to the Collateral hereunder, the Administrative Agent shall act as collateral agent, for itself and for the ratable benefit of the Lenders, and such role as Administrative Agent shall be disclosed on all appropriate accounts, filings, mortgages, and other Collateral documentation.

**8.11** **Collateral Matters**. The Administrative Agent is authorized on behalf of all the Lenders without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to the Security Documents or any Collateral thereunder which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Security Documents. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon payment in full of all Term Loans and all other Obligations of the Loan Parties known to the Administrative Agent and payable under this Agreement or any other Loan Document; (ii) constituting Property sold or to be sold or disposed of to a Person that is not a Loan Party as part of or in connection with any Asset Disposition permitted hereunder; (iii) consisting of an instrument evidencing Indebtedness or other debt instrument, if the Indebtedness evidenced thereby has been paid in full; or (iv) if approved, authorized or ratified in writing by all the Lenders. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 8.11, provided that the absence of any such confirmation for whatever reason shall not affect the Administrative Agent's rights under this Section 8.11. In the event that any landlord in favor of which a Loan Party has granted a Permitted Lien on Excluded Assets requests an acknowledgement that the Collateral does not include any Excluded Assets secured by such Permitted Lien (a "Permitted Lien Acknowledgement"), the Administrative Agent shall deliver a Permitted Lien Acknowledgement to such landlord, on terms and conditions, and subject to documentation reasonably acceptable to the Administrative Agent and, if required by such landlord, shall amend any UCC-1 financing statements filed against a Loan Party in favor of the Administrative Agent to exclude the specific Excluded Assets that are the subject of such Permitted Lien Acknowledgement.

**8.12** **Action by the Administrative Agent**.

(a) The Administrative Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights with which it may be vested and with respect to taking or refraining from taking any action or actions which it may be able to take under or in respect of, this Agreement, unless the Administrative Agent shall have been instructed by the Required Lenders to exercise or refrain from exercising such rights or to take or refrain from taking such action; provided that the Administrative Agent shall not exercise any rights under Section 7.3 of this Agreement except upon the request of the Required Lenders or of all the Lenders, where expressly required by this Agreement. The Administrative Agent shall incur no liability under or in respect of this Agreement with respect to anything which it may do or refrain from doing in the exercise of its judgment or which may seem to it to be necessary or desirable in the circumstances, except for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court having jurisdiction over the subject matter.

(b) The Administrative Agent shall not be liable to the Lenders or to any Lender in acting or refraining from acting under this Agreement or any other Loan Document in accordance with the instructions of the Required Lenders or of all the Lenders, where expressly required by this Agreement, and any action taken or failure to act pursuant to such instructions shall be binding on all Lenders.

(c) Notice of Default or Event of Default. In the event that the Administrative Agent or any Lender shall acquire actual knowledge, or shall have been notified in writing, of any Default (other than through a notice by one party hereto to all other parties), such Lender shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify the Lenders, and the Administrative Agent shall take such action and assert such rights under this Agreement and the other Loan Documents as the Required Lenders (or all the Lenders, where expressly required by this Agreement) shall request in writing, and the Administrative Agent shall not be subject to any liability by reason of its acting pursuant to any such request. If the Required Lenders shall fail to request the Administrative Agent to take action or to assert rights under this Agreement in respect of any Default within ten (10) days after their receipt of the notice of any Default from the Administrative Agent or any Lender, or shall request inconsistent action with respect to such Default, the Administrative Agent may, but shall not be required to, take such action and assert such rights as it deems in its discretion to be advisable for the protection of the Lenders, except that, if the Required Lenders have instructed the Administrative Agent not to take such action or assert such right, in no event shall the Administrative Agent act contrary to such instructions.

**8.13** **Successor Administrative Agent**. The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving thirty (30) days' prior written notice thereof to the Lenders and the Borrower Agent. Upon any such resignation, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), have the right to appoint a successor Administrative Agent hereunder that is organized under the laws of the United States of America or a political subdivision thereof. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any state thereof and having a combined capital and surplus of at least $250,000,000. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date. Upon the acceptance of any appointment as Administrative Agent under the Loan Documents by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Administrative Agent's resignation as Administrative Agent under the Loan Documents, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

**8.14** **Legal Representation of Administrative Agent**. In connection with the negotiation, preparation and execution of this Agreement and the other Loan Documents, and in connection with future legal representation relating to loan administration, amendments, modifications, waivers or enforcement of remedies in connection herewith, Greenberg Traurig LLP has represented only and shall represent only Brightwood Loan Services LLC, in its capacity as Administrative Agent. Each Borrower and each other Lender hereby acknowledges that Greenberg Traurig LLP does not represent it in connection with any such matters.

## ARTICLE IX
## MISCELLANEOUS

**9.1** **Waivers, Amendments; etc**. The provisions of this Agreement, including the closing conditions set forth herein, may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower Agent and the Required Lenders; provided, that no amendment, waiver or consent shall: (a) increase the Commitment of any Lender or subject a Lender to any additional obligations, without the written consent of such Lender, (b) reduce the principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (d) change the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, unless in writing and signed by all the Lenders, (e) discharge any Borrower from its obligations under the Loan Documents, unless in writing and signed by all the Lenders, (f) amend Section 2.8 or this Section 9.1, unless in writing and signed by all Lenders or (g) except as specifically permitted hereby or thereby, release or impair the security interest in any of the Collateral granted to the Administrative Agent, for the benefit of the Secured Parties, under the Security Documents or discharge any Guarantor, unless in writing and signed by all the Lenders; provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

No failure or delay on the part of the Administrative Agent, any Lender or the holder of any Note in exercising any power or right under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on any Borrower in any case shall entitle it to any notice or demand in similar or other circumstances.

Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

**9.2** **Payment Dates**. Except as expressly provided in this Agreement, whenever any payment to be made hereunder by or to the Lenders or to the holder of any Note shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in computing the fees or interest payable on such next succeeding Business Day.

**9.3** **Notices**. All communications and notices provided under this Agreement shall be in writing by in writing (including email or facsimile transmission), telecopy or personal delivery and if to a Loan Party addressed or delivered to such Loan Party at its address shown on the signature page hereof or if to the Administrative Agent delivered to it at the address shown on **Schedule 9.3** attached hereto, or to any party at such other address as may be designated by such party in a notice to the other parties. Any notice shall be deemed given when transmitted by email, telecopier or, when personally delivered, if mailed properly addressed, shall be deemed given upon the third Business Day after the placing thereof in the United States mail, postage prepaid.

**9.4** **Costs and Expenses**. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation of this Agreement, including exhibits, and the Loan Documents and any amendments hereto or thereto or consents or waivers hereunder or thereunder as may from time to time hereafter be required thereby or by the transactions contemplated hereby, including, but not limited to, the fees and out-of-pocket expenses of the Administrative Agent, charges and disbursements of special counsel to the Administrative Agent from time to time incurred in connection with the preparation and execution of this Agreement and any document relevant to this Agreement, including the Loan Documents, any amendments hereto or thereto, or consents or waivers hereunder or thereunder, and the consideration of legal questions relevant hereto and thereto. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent and each Lender upon demand for all costs and expenses (including attorneys', auditors' and accountants' fees and expenses) reasonably incurred and arising out of the transactions contemplated by this Agreement and the Loan Documents, in connection with any work-out or restructuring of the transactions contemplated hereby and by the Loan Documents and any collection or enforcement of the obligations of any Loan Party hereunder or thereunder, whether or not suit is commenced, including attorneys' fees and legal expenses (limited to one (1) primary counsel for the Administrative Agent and, if deemed appropriate by the Administrative Agent, one (1) counsel in each relevant jurisdiction and any special counsel (except in the case of actual or perceived conflict, in which case one (1) additional counsel for each Lender similarly situated in respect of such conflict)) in connection with any appeal of a lower court's order or judgment. The obligations of the Loan Parties under this Section 9.4 shall survive any termination of this Agreement.

**9.5** **Indemnification**. In consideration of the execution and delivery of this Agreement by the Administrative Agent and the Lenders, the Loan Parties, joint and severally, agree to indemnify and hold harmless the Administrative Agent and each Lender and their respective Affiliates, officers, directors, employees, shareholders, agents, successors and assigns (the "Indemnified Parties") from and against any and all losses, claims, damages, liabilities and expenses (other than the expenses to be paid or reimbursed pursuant to Section 9.4 above), joint or several, to which any such Indemnified Party may become subject arising out of or in connection with this Agreement and the other transactions contemplated hereby, the Term Loans and the use of proceeds thereof in connection with any claim, litigation, investigation or proceeding (any of the foregoing, a "Proceeding") relating to any of the foregoing, regardless of whether any such Indemnified Party is a party hereto or whether a Proceeding is brought by a third party or by you any Loan Party or Affiliate of a Loan Party, and to reimburse each such Indemnified Party within ten (10) days of receipt of an invoice for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating or defending any of the foregoing; it being understood and agreed that no Loan Party shall be required to reimburse legal fees or expenses of more than one counsel to all Indemnified Parties, taken as a whole and in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel to each group of affected Indemnified Parties similarly situated taken as a whole (and, if reasonably necessary as determined by the Administrative Agent, a single local counsel for all Indemnified Parties taken as a whole in each relevant jurisdiction and, in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel in each relevant jurisdiction to each group of affected Indemnified Parties similarly situated taken as a whole); provided that the foregoing indemnity will not, as to any Indemnified Party, apply to losses, claims, damages, liabilities or related expenses to the extent (x) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of such Indemnified Party or any Related Indemnified Party (as defined below) of such Indemnified Party, (y) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from a material breach of the material obligations of such Indemnified Party or any of its Related Indemnified Parties under this Agreement or any of the Loan Documents at a time when no Loan Party has breached its obligations hereunder in any material respect, or (z) they relate to any dispute solely among Indemnified Parties at a time when no Loan Party has breached its obligations hereunder or any other Loan Document in any material respect (other than any claims against the Administrative Agent in its capacity or in fulfilling its role as Administrative Agent, but not any other Person or entity party to any such Proceeding).

Notwithstanding any other provision of this Agreement or any Loan Document, (i) no Indemnified Party or Related Indemnified Party shall be liable for any damages arising from the use by others of information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent such damages have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of any Indemnified Party and (ii) none of the Loan Parties, any of their Affiliates or any Indemnified Party or Related Indemnified Party shall be liable for any indirect, special, punitive or consequential damages incurred in connection with this Agreement or the transactions contemplated herein (provided that this provision shall not limit the Loan Parties' indemnification obligations set forth above). For purposes hereof, a "Related Indemnified Party" of an Indemnified Party means (1) any controlling person or controlled affiliate of such Indemnified Party, (2) the respective directors, trustees, officers, or employees of such Indemnified Party or any of its controlling persons or controlled Affiliates and (3) the respective agents or advisors of such Indemnified Party or any of its controlling persons or controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, controlling person or such controlled Affiliate; provided that each reference to a controlled Affiliate or controlling person in this paragraph pertains to a controlled Affiliate or controlling person involved in the negotiation of this Agreement and the other Loan Documents.

No Loan Party shall be liable for any settlement of any Proceedings effected without the Borrower Agent's consent (which consent shall not be unreasonably conditioned, withheld or delayed), but if settled with the Borrower Agent's written consent or if there is a final judgment for the plaintiff in any such Proceedings, the Loan Parties, jointly and severally, agree to indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages, liabilities and expenses by reason of such settlement or judgment in accordance with this Section 9.5. No Loan Party shall, without the prior written consent of an Indemnified Party, effect any settlement or consent to the entry of any judgment of any pending or threatened Proceedings in respect of which indemnity could have been sought hereunder by such Indemnified Party, unless (i) such settlement includes an unconditional release of such Indemnified Party in form and substance reasonably satisfactory to such Indemnified Party from all liability on claims that are the subject matter of such Proceedings, and (ii) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of such Indemnified Party.

The provisions of this Section 9.5 shall survive termination of this Agreement and payment in full of the Notes. This Section 9.5 shall not apply with respect to Taxes, other than Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

**9.6** **Severability**. Any provision of this Agreement, the Notes or any other Loan Document executed pursuant hereto which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, the Notes or any other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

**9.7** **Headings**. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

**9.8** **Governing Law**. This Agreement and the Notes shall each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

**9.9** **Successors and Assigns**.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns except that: (i) other than as set forth in the Assumption Agreement, a Loan Party may not assign or transfer its rights hereunder without the prior written consent of all of the Lenders and the Administrative Agent, and (ii) any assignment by a Lender must be made in compliance with subsection (b) below and any participation by a Lender must be made in compliance with subsection (c) below. Notwithstanding clause (ii) of this subsection (a), any Lender may at any time, without the consent any Borrower or the Administrative Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank. Except to the extent otherwise required by its context, the word "Lender" where used in this Agreement means and includes any such assignee and such assignee shall be bound by and have the benefits of this Agreement the same as if such holder had been a signatory hereto.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities that are Eligible Assignees all or a portion of its Commitments, Term Loans, and its rights and obligations under this Agreement in respect thereof in accordance with the provisions of this subsection (b). Each assignment shall be of a constant, and not a varying, ratable percentage of the assigning Lender's rights and obligations under this Agreement and each Eligible Assignee shall assume a pro rata share of the assigning Lender's obligations determined by the percentage of the Commitments and Term Loans assigned for the period from the effective date of the assignment through the Maturity Date. Such assignment shall be substantially in the form of the Assignment and Assumption Agreement attached as **Exhibit D** hereto (the "Assignment and Assumption Agreement") and shall not be permitted hereunder unless (i) such assignment is for all of such Lender's Commitment and Term Loans and the rights and obligations under this Agreement related thereto, (ii) the amount of the Commitment and Term Loans assigned by the assigning Lender pursuant to each assignment shall be at least $1,000,000, or (iii) such assignment is to another Lender or an Affiliate of a Lender, in which case no minimum amount shall apply. The consent of the Administrative Agent and, provided no Default or Event of Default then exists, the Borrower Agent (which consents shall not be unreasonably withheld or delayed) shall be required prior to an assignment becoming effective with respect to a transferee which is not a Lender, an Affiliate of a Lender, or an Approved Fund. The Borrower Agent's consent shall be deemed to have been given unless the Borrower Agent objects within ten (10) Business Days after receipt of notice of such assignment. Upon (i) delivery to the Administrative Agent of an executed Assignment and Assumption Agreement, together with any required consents and (ii) payment of a $3,500 fee to the Administrative Agent by either the assigning Lender or the assignee Lender for processing such assignment, such assignment shall become effective on the effective date specified in such Assignment and Assumption Agreement; provided, that (a) if an assignment by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such assignment and (b) if an assignment by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such assignee, then only one assignment fee of $3,500 shall be due in connection with such assignment (unless waived or reduced by the Administrative Agent). On and after the effective date of such assignment, such transferee, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Commitment and Term Loans assigned to such transferee Lender. To the extent requested by the applicable Lenders, upon the consummation of any assignment pursuant to this Section 9.9, the Administrative Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such transferee Lender, in each case in principal amounts reflecting their Commitment and Term Loans, as adjusted pursuant to such assignment.

(c) Each Lender may, without the consent of any Borrower, sell participations to one or more banks or other entities that are Eligible Assignees in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Term Loans owing to it hereunder); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of, and obligations under, Section 10.1 and of the cost protection provisions contained in Section 10.4, as well as Sections 9.19 and 10.6 to the extent of the Lender selling such participation and the Borrowers' aggregate obligations with respect to Section 10.1 and Section 10.4 shall not be increased by reason of such participation, provided that such participant shall not be entitled to the benefits of Sections 10.1 and 10.4 unless such participant complies with Section 10.1(e) as (and to the extent) applicable, as if such participant were a Lender (it being understood that the documentation required under Section 10.1(e) shall be delivered to the participating Lender) (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right (and shall not limit its rights) to enforce the obligations of the Borrowers relating to the Term Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any fees payable hereunder (to the extent such participants are entitled to such fees) or the amount of principal of or the rate at which interest is payable on the Term Loans, or the dates fixed for payments of principal of or interest on the Term Loans). Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement.

(d) The Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and the principal amount of the Term Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement and the other Loan Documents, notwithstanding notice to the contrary. It is the intent of the parties that the Obligations shall be treated as issued in registered form under Section 5f. 103-1(c) of the United States Treasury Regulations. Upon the Administrative Agent's receipt of a duly completed Assignment and Assumption Agreement executed by an assigning Lender, an assignee Lender that is an Eligible Assignee and, to the extent required hereunder, the Borrowers, such Eligible Assignee's completed Administrative Questionnaire (unless the assignee is already a Lender), the fee referred to in Section 9.9(b) above, and any written consent to such assignment required by such subsection, the Administrative Agent shall accept such Assignment and Assumption Agreement and record the information contained therein in the Register. No assignment shall be effected for purposes of this Agreement unless it has been recorded in the Register as provided in this subsection.

(e) Notwithstanding anything to the contrary contained in this Section 9.9, a Lender that is a fund that invests in bank loans may pledge all or a portion of its rights in connection with this Agreement to the trustee or other agent for holders of obligations owed, or securities issued, by such fund as security for such obligations or securities, provided that any foreclosure or other exercise of remedies by such trustee shall be subject, in all respects, to the provisions of this Section 9.9 regarding assignments. No pledge described in the immediately preceding sentence shall release any such Lender from its obligations hereunder.

(f) Except as specifically set forth in this Section 9.9, nothing in this Agreement, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any Notes.

(g) The provisions of this Section 9.9 shall not apply to any purchase of participations among the Lenders pursuant to Section 2.5.

(h) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or sub participations, or other compensating actions, including funding, with the consent of the Borrower Agent and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Term Loans in accordance with its respective Commitment. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

**9.10** **Execution in Counterparts**. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

**9.11** **Several Liability**. The Obligations of the Administrative Agent and each of the Lenders hereunder are several, not joint.

**9.12** **Financial Information**. Each Loan Party assumes responsibility for keeping itself informed of its own financial condition and the financial condition of any and all endorsers and/or other guarantors of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and the Loan Parties agree that the Administrative Agent and the Lenders shall have no duty to advise the Loan Parties of information known to them regarding such condition or any such circumstances.

**9.13** **Entire Agreement**. Except as otherwise expressly provided herein, this Agreement and the other documents described or contemplated herein embody the entire agreement and understanding among the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

**9.14** **Other Relationships**. No relationship created hereunder or under any other Loan Document shall in any way affect the ability of the Administrative Agent or its Affiliates and each Lender or their respective Affiliates to enter into or maintain business relationships with the Loan Parties beyond the relationships specifically contemplated by this Agreement and the other Loan Documents.

**9.15** **Consent to Jurisdiction**. EACH LOAN PARTY HEREBY IRREVOCABLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK CITY AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER LOAN DOCUMENT AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH LOAN PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING BY UNITED STATES CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OF COPIES OF SUCH PROCESS TO SUCH LOAN PARTY'S ADDRESS REFERENCED IN SECTION 9.3. EACH PARTY AGREES THAT A JUDGMENT, FINAL BY APPEAL OR EXPIRATION OF TIME TO APPEAL WITHOUT AN APPEAL BEING TAKEN, IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST SUCH LOAN PARTY OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

**9.16** **Waiver of Jury Trial**. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

**9.17** **USA Patriot Act**. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Loan Parties in accordance with the Act. The Loan Parties shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

**9.18** **Confidentiality**. Each of the Administrative Agent and each Lender agree to maintain the confidentiality of information obtained by it pursuant to any Loan Document, except that such information may be disclosed (i) with the Borrower Agent's written consent, (ii) in any legal, judicial, administrative proceeding or compulsory process or otherwise as required by applicable law or regulations (in which case such Person agrees to promptly notify the Borrower Agent to the extent practicable and permitted by applicable law); (iii) upon the request or demand of any Governmental Authority having jurisdiction over the Administrative Agent or such Lender, or their respective Affiliates (in which case such Person agrees to, except with respect to any audit or examination conducted by bank accountants, any governmental bank or insurance regulatory authority exercising examination or regulatory authority, or any regulatory requests made by the National Association of Insurance Commissioners, promptly notify the Borrower Agent to the extent lawfully permitted to do so); (iv) to officers, directors, trustees, agents, members, partners, equity holders, approved and managed funds, employees, attorneys, accountants and advisors of the Administrative Agent or any Lender who are informed of the confidential nature of such information and are or have been advised of their obligation to keep such information confidential solely on a need-to-know basis in connection with the transactions contemplated by this Agreement; (v) to any Affiliates of the Administrative Agent or any Lender (provided that any such Affiliate is advised of its obligation to retain such information as confidential) on a need-to-know basis in connection with the transactions contemplated by this Agreement; (vi) to the extent any such information becomes publicly available other than by reason of disclosure in breach of this Agreement; and (vii) in connection with the exercise or enforcement of any right or remedy under any Loan Document.

**9.19** **Replacement of Lenders**. If the Borrower Agent is entitled to replace a Lender pursuant to the provisions of Section 10.6, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower Agent may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.9), all of its interests, rights (other than its existing rights to payments pursuant to Sections 10.1 and 10.4 with respect to payments made prior to such assignment) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower Agent shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.9(b);

(b) such Lender shall have received payment of an amount equal to 100% of the outstanding principal of its Term Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 10.5) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower Agent (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 10.4 or payments required to be made pursuant to Section 10.1, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower Agent to require such assignment and delegation cease to apply.

**9.20** **Keepwell**. Each of the Borrowers, any Affiliate of the Borrowers or any Guarantor that is a Qualified ECP Guarantor at the time the Guarantee or the grant of a Lien under the Loan Documents, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Article IX voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 9.20 shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each of the Borrowers, each Affiliate of the Borrowers and each Guarantor intends this Section 9.20 to constitute, and this Section 9.20 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

**9.21** **Electronic Execution of Assignments and Certain Other Documents**. The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

**9.22** **INTERCREDITOR AGREEMENT**.

(a) EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS THE ADMINISTRATIVE AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY THE ADMINISTRATIVE AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

(b) THE PROVISIONS OF THIS SECTION 9.22 ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT ITSELF TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NEITHER THE ADMINISTRATIVE AGENT NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM THE ADMINISTRATIVE AGENT.

(c) THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE LOAN PARTIES. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

(d) IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**9.23** **Assumption by Holdings and Successor Borrowers**. Immediately following the consummation of the Hydrofarm Acquisition, (i) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent the Assumption Agreement and assume the rights and obligations of the Initial Borrower hereunder as a Borrower, (ii) Holdings shall duly execute and deliver to the Administrative Agent the Assumption Agreement and become a Guarantor hereunder and under each other Loan Document applicable to it, and (iii) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent each of the agreements, instruments and certificates listed in Section 3.1(a) to which Hydrofarm, WJCO, EHH or SunBlaster is, or is contemplated to be, a party. Immediately upon the completion of the actions set forth in clauses (i), (ii) and (iii) above, (x) Holdings shall be automatically released from its obligations as a Borrower hereunder and shall instead assume the obligations as a Guarantor hereunder and under the other Loan Documents and (y) each of Hydrofarm, WJCO, EHH and SunBlaster shall become a Borrower hereunder and under the other Loan Documents. Upon the reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request to implement the transactions contemplated by the Assumption Agreement and reflect the assumption by Hydrofarm, WJCO, EHH and SunBlaster of the obligations of the Initial Borrower contemplated thereby.

## ARTICLE X
## TAXES, YIELD PROTECTION AND ILLEGALITY

**10.1** **Taxes**.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of any Borrower or Guarantor under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the applicable withholding agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Borrower or Guarantor, then the Administrative Agent or such Borrower or Guarantor shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Borrower or Guarantor or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below,

(B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code and provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Borrower or Guarantor or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) such Borrower or Guarantor or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Borrower or Guarantor or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and, if paid by the Administrative Agent, the Administrative Agent shall provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by Borrower and/or Guarantor. Without limiting the provisions of subsection (a) above, each Borrower and/or Guarantor shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications.

(i) Each Borrower and Guarantor shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 10.1) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower Agent by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Each Lender shall, and does hereby, severally indemnify and shall make payment in respect thereof within ten (10) days after demand therefor, (A) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that any Borrower or Guarantor has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of each Borrower and/or Guarantor to do so), and (B) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.9(c) relating to the maintenance of a Participant Register, and (C) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or a Borrower or Guarantor in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent, Borrowers or Guarantor to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document or otherwise payable by the Administrative Agent, Borrower or Guarantor from any other source against any amount due to the Administrative Agent, Borrowers or Guarantor under this clause (ii).

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by any Borrower or Guarantor to a Governmental Authority, as provided in this Section 10.1, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Agent and the Administrative Agent, at the time or times reasonably requested by the Borrower Agent or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower Agent or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Agent or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower Agent or the Administrative Agent as will enable the Borrower Agent or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 10. 1(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that a Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Agent and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate satisfactory to the Administrative Agent on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies (or originals, as required) of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower Agent or the Administrative Agent to determine the withholding or deduction required to be made;

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Agent and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Agent or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Agent or the Administrative Agent as may be necessary for the Borrower Agent and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement; and

(E) the Administrative Agent shall deliver to the Borrower Agent on or prior to the date on which the Administrative Agent becomes the Administrative Agent under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent), executed copies of IRS Form W-9 certifying that the Administrative Agent is a U.S. Person exempt from U.S. federal backup withholding tax.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 10.1 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Agent and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund (or credit in lieu of a cash refund) of any Taxes ("Refund") as to which it has been indemnified by any Borrower or Guarantor or with respect to which any Borrower or Guarantor has paid additional amounts pursuant to this Section 10.1, it shall pay to such Borrower or Guarantor an amount equal to such Refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower or Guarantor under this Section 10.1 with respect to the Taxes giving rise to such Refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such Refund), provided that each Borrower or Guarantor, upon the request of the Recipient, agrees to repay the amount paid over to such Borrower or Guarantor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such Refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to such Borrower or Guarantor pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such Refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid.

This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or Guarantor or any other Person.

(g) Survival. Each party's obligations under this Section 10.1 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

**10.2 Illegality**. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to the LIBOR Rate, or to determine or charge interest rates based upon the LIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower Agent through the Administrative Agent, (a) any obligation of such Lender to make or continue LIBOR Rate Loans shall be suspended, and (b) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the LIBOR Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower Agent that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all LIBOR Rate Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Rate Loans and (ii) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBOR Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBOR Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBOR Rate. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

**10.3 Inability to Determine Rates**.

(a) If in connection with any request for a LIBOR Rate Loan or a continuation thereof, (i) the Administrative Agent determines that (A) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such LIBOR Rate Loan or (B) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan or in connection with an existing or proposed Base Rate Loan (in each case with respect to clause (i), "Impacted Loans"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Term Loan, the Administrative Agent will promptly so notify the Borrower Agent and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain LIBOR Rate Loans shall be suspended (to the extent of the affected LIBOR Rate Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR Rate component of the Base Rate, the utilization of the LIBOR Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower Agent may revoke any pending request for a continuation of LIBOR Rate Loans (to the extent of the affected LIBOR Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request to convert such LIBOR Rate Loans to Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this Section 10.3, the Administrative Agent in consultation with the Borrower Agent and the Required Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of this Section 10.3, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrower Agent that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrower Agent written notice thereof.

**10.4 Increased Costs; Reserves on LIBOR Rate Loans**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 10.4(e));

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes,

(B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes) and (C) Connection Income Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender; and the result of any of the foregoing shall be to increase the cost to such Lender of making, continuing or maintaining any Term Loan the interest on which is determined by reference to the LIBOR Rate (or of maintaining its obligation to make any such Term Loan), or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender, or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Term Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or such Lender's holding company, as the case may be, as specified in subsection (a) or (b) of this Section 10.4 and delivered to the Borrower Agent shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 10.4 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 10.4 for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender notifies the Borrower Agent of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on LIBOR Rate Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each LIBOR Rate Loan equal to the actual costs of such reserves allocated to such Term Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Term Loan, provided the Borrower Agent shall have received at least ten (10) days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

**10.5 Funding Losses**. Upon written demand of any Lender (with a copy to the Administrative Agent) from time to time, which demand shall set forth in reasonable detail the basis for requesting such amount, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost, liability or expense (excluding loss of anticipated profits or margin) actually incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Term Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Term Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by a Borrower (for a reason other than the failure of such Lender to make a Term Loan) to prepay, borrow, continue or convert any Term Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower Agent; or

(c) any assignment of a LIBOR Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower Agent pursuant to Section 9.19; including any loss or expense (excluding loss of anticipated profits or margin) actually incurred by reason of the liquidation or reemployment of funds obtained by it to maintain such Term Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

**10.6 Mitigation Obligations; Replacement of Lenders**.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 10.4, or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1, or if any Lender gives a notice pursuant to Section 10.2, then at the request of the Borrower Agent, such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Term Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 10.1 or 10.4, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 10.2, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 10.4, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 10.6(a) that eliminates the need to pay additional amounts for Indemnified Taxes under Section 10.1 or compensation under Section 10.4, the Borrower Agent may replace such Lender in accordance with Section 9.19.

**10.7 Survival**. All of the Borrowers' obligations under Sections 10.4 and 10.5 shall survive termination of the Commitments, repayment of all other Obligations hereunder and resignation of the Administrative Agent.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

**HOLDINGS AND INITIAL BORROWER:**

**HYDROFARM HOLDINGS LLC, as**
Holdings and Initial Borrower

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

*Each of the undersigned hereby confirms that, immediately after the funding of the Term Loans on the Closing Date and the consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, it hereby assumes all of the rights and obligations of a Borrower under this Agreement and hereby is joined to this Agreement as a Borrower hereunder.*

**HYDROFARM, LLC, as a Borrower**
By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**EHH HOLDINGS, LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**SUNBLASTER LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**WJCO LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**ADMINISTRATIVE AGENT:**

**BRIGHTWOOD LOAN SERVICES LLC,**
in its capacity as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

[Signature Page to Credit Agreement]

**LENDERS:**

**BRIGHTWOOD LOAN SERVICES LLC,**
in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

[Signature Page to Credit Agreement]

**BCOF CAPITAL, LP,**
in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

**BRIGHTWOOD CAPITAL FUND III 2016-2, LLC,**
in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

**BRIGHTWOOD CAPITAL FUND III-U, LP,**
in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

ANNEX B

Updated Schedules

**Schedule 4.1**

**List of Jurisdictions in which the Loan Parties and Subsidiaries Are Qualified to Do Business**

**Schedule 4.3**

**List of Subsidiaries**

**Exhibit 10.16**

**EXECUTION VERSION**

WAIVER AND AMENDMENT NO. 3 TO CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 3 TO CREDIT AGREEMENT (this "Waiver and Amendment"), dated as of August 24, 2018, is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

W I T N E S E T H:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, Holdings, the Borrowers, the Administrative Agent and the Lenders are parties to that certain Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), and that certain Amendment No. 1 to Forbearance Agreement (the "First Forbearance Amendment", and together with the Forbearance Agreement, the "Forbearance Agreements") pursuant to which, among other things, the Lenders agreed, subject to the terms and conditions set forth in the Forbearance Agreements, to temporarily forbear from exercising their rights and remedies under the Loan Documents arising as a result of the Specified Defaults identified therein;

WHEREAS, as of the date hereof, the Events of Default identified on Schedule I hereto (collectively, the "Specified Defaults") have occurred and are continuing; and

WHEREAS, the Holdings and the Borrowers have requested that the Lenders and the Administrative Agent (i) waive the Specified Defaults, and (ii) amend the Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein;

WHEREAS, pursuant to Section 9.1 of the Credit Agreement, in order to effect the amendments to the Credit Agreement contemplated by this Waiver and Amendment, this Waiver and Amendment must be approved by all of the Lenders; and

WHEREAS, the undersigned Lenders constitute all of the Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Acknowledgment of Defaults and Rights and Remedies.

(a) Each of the Loan Parties, jointly and severally, acknowledges and agrees that, immediately after giving effect to the Amendment No. 3 Effective Date and the capitalization of the fee contemplated by Section 4 below, the aggregate outstanding principal balance of the Obligations under the Loan Documents is at least $73,593,750.00 and together with accrued interest thereon, is at least $77,580,784.04. The foregoing amount does not include fees, expenses and other amounts that are chargeable or otherwise reimbursable under the Credit Agreement and the other Loan Documents.

(b) Each of the Loan Parties, jointly and severally, acknowledges and agrees that (i) the Specified Defaults have occurred and are continuing, (ii) none of the Specified Defaults has been cured as of the date hereof, and (iii) except for the Specified Defaults, no other Events of Default have occurred and are continuing as of the date hereof. Prior to the effectiveness of this Waiver and Amendment, each of the Specified Defaults permits the Lenders to, among other things, (A) charge interest at the Default Rate with respect to any and all of the Obligations, (B) commence any legal or other action to collect any or all of the Obligations from the Loan Parties and/or any Collateral, (C) foreclose or otherwise realize on any or all of the Collateral and/or appropriate, set-off and apply to the payment of any or all of the Obligations, any or all of the Collateral, and/or (D) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Credit Agreement, the other Loan Documents or applicable law.

SECTION 2. Limited Waiver and Consent.

(a) Subject to the terms and conditions set forth herein, and reliance upon the representations and warranties of the Loan Parties, effective as of the Amendment No. 3 Effective Date, the Administrative Agent and the Lenders hereby waive the Specified Defaults; provided, that, in the event that the Loan Parties shall violate or breach the provisions of Section 6.25 of the Credit Agreement (as amended by this Waiver and Amendment) in any manner, the provisions of this Section 2, and the waiver of the Specified Defaults set forth herein, shall be null and void and shall terminate and cease to be of effect and, in such instance, for all purposes of the Credit Agreement and each of the other Loan Documents, none of the Specified Defaults shall be deemed to have been waived in any manner pursuant to this Waiver and Amendment and each such Specified Default shall continue to exist. Nothing in this Waiver and Amendment shall be construed to (i) constitute a waiver with respect to any other default or non-compliance by the Loan Parties with respect to the Loan Documents; or (ii) impair any right or remedy that the Administrative Agent or the Lenders may now have or may have in the future under or in connection with any default or non-compliance under any Loan Document other than the Specified Defaults.

(b) Equity Financing. On the Amendment No. 3 Effective Date, (the "First Equity Financing Deadline"), (i) Hydrofarm Holdings Group, Inc., a Delaware Corporation ("Holdings Group"), is conducting a private offering of up to $50,000,000 of securities of Holdings Group (the "Holdings Group Equity Raise"), and (ii) Hydrofarm Investment Corp., a Delaware corporation ("HIC"), is conducting a concurrent private offering of a minimum of $15,000,000 from existing investors of securities of HIC (the "HIC Concurrent Investment," and together with the Holding Group Equity Raise, the "Private Placements"), with the HIC Concurrent Investment being a closing condition to the Holding Group Equity Raise. At the initial closing of the Holdings Group Equity Raise, HIC will merge with a wholly-owned subsidiary of Holding Group, with HIC surviving as a wholly-owned subsidiary of Holdings Group (the "Merger"). As a result of the Merger, each of the Loan Parties will become an indirect, wholly-owned subsidiary of Holdings Group. The proceeds of the HIC Concurrent Investment and the initial closing of the Holdings Group Equity Raise will be not less than $21,000,000, exclusive of (i) all fees and expenses related to the HIC Concurrent Investment and (ii) payment of obligations on any Subordinated Debt. $11,000,000 of such proceeds will be distributed to Holdings on the First Equity Financing Deadline and the remainder of such proceeds shall be distributed to Holdings no later than August 29, 2018 (the "Second Equity Financing Deadline"). Subject to the foregoing, the Agent and the Lenders hereby consent to the Private Placements, the Merger and all transactions specifically set forth in this Section 2(b), including, but not limited to, the termination of the management agreements among Holdings, the Sponsor and the Co-Investor.

SECTION 3. Amendments. Subject to the terms and conditions hereof, effective as of the Amendment No. 3 Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 5:

(a) Effective as of the Amendment No. 3 Effective Date, the following definitions in Section 1.1 of the Credit Agreement are hereby amended and restated to read in their entirety as follows:

"Applicable Margin" means (i) with respect to any period prior to the Amendment No. 3 Effective Date, (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans, (ii) with respect to any period on or after the Amendment No. 3 Effective Date but prior to the Covenant Change Date, (a) 10.00% per annum with respect to LIBOR Rate Loans, and (b) 9.00% per annum with respect to Base Rate Loans, and (iii) with respect to any period on or after the Covenant Change Date, (a) 8.50% per annum with respect to LIBOR Rate Loans, and (b) 7.50% per annum with respect to Base Rate Loans (provided, that, with respect to any fiscal quarter of the Borrowers on or after the Covenant Change Date (each, an "Applicable Period"), in the event that the Total Net Leverage Ratio as of the last day of the immediately prior fiscal quarter shall have been less than 5.50:1.00, then the "Applicable Margin" with respect to such Applicable Quarter shall be (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans).

"Cumulative EBITDA" means, as of any date, the cumulative Adjusted Consolidated EBITDA for the Test Period ending on the last day of the most recently ended calendar month ended on or prior to such date.

"Equity Cure Contribution" has the meaning set forth in Section 6.1(e).

"Excess Cash Flow Period" means each subsequent fiscal year of the Borrowers commencing with the fiscal year ending on December 31, 2020. For the avoidance of doubt, with respect to any mandatory prepayment under Section 2.1(g)(3), the applicable Excess Cash Flow Period shall be the mostly recently ended Excess Cash Flow Period ending prior to the date of such mandatory prepayment.

"FCCR Covenant Date" means the earlier of (i) January 1, 2020 and (ii) the date on which any Loan Party requests, in accordance with the Revolving Loan Agreement, that the covenant set forth in Section 10.3(b) of the Revolving Loan Agreement be tested in accordance with the Revolving Loan Agreement.

"Financial Covenants" means (i) at all times on or prior to December 31, 2019, the covenants, agreements and obligations set forth in Sections 6.1(c) and 6.1(d), (ii) at all times on or after the FCCR Covenant Date, the covenants, agreements and obligations set forth in Section 6.1(b), and (iii) at all times on or after January 1, 2020, the covenants, agreements and obligations set forth in Sections 6.1(a).

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio, determined for the most recent twelve consecutive calendar months ending on or prior to such date of determination (subject to the immediately following sentence) of: (a) Consolidated EBITDA for such period minus (i) all Capital Expenditures for such period (other than Capital Expenditures funded or financed with any Indebtedness other than Revolving Loans), minus (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Tax Distributions during such period, minus (iii) all Restricted Payments made in cash during such period, minus (iv) all Permitted Management Fees paid in cash pursuant to the Management Agreements during such period, minus (v) the Asset Acquisition Earnout Amount; to (b) Consolidated Fixed Charges for such period.

"Test Period" in effect at any time means the most recent period of twelve consecutive calendar months of the Borrowers ended on or prior to such time (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b), (c) or (d), as applicable; provided, that, for the purposes of Section 6.1(c) and the definition of "Cumulative EBITDA", the "Test Period" in effect as of any date shall mean the period from, and including, July 1, 2018 through, and including, the last day of the most recently ended calendar month ended on or prior to such date (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b), (c) or (d), as applicable. Subject to the proviso in the immediately prior sentence, a Test Period may be designated by reference to the last day thereof (*e.g.*, the "June 30, 2017 Test Period" refers to the period of 12 consecutive calendar months of the Borrowers ended on June 30, 2017), and a Test Period shall be deemed to end on the last day thereof.

"Total Net Debt" means, as of any date of determination, (a) Indebtedness of the type described in clauses (a), (b), (d), (f), (h), (i) and (j) (but (1) excluding Permitted Affiliate Sub Debt and (2) in the case of clauses (i) and (j) solely to the extent Guaranteeing or related to Indebtedness described in clauses (a), (b), (d), (f) (but, in the case of earn-out obligations, only to the extent not paid when due) and (h)), minus (b) unrestricted cash and cash equivalents of the Borrowers and their Subsidiaries to the extent such cash or cash equivalents are subject to a first priority perfected security interest in favor of the Administrative Agent (subject to the Intercreditor Agreement) in an amount of up to $5,000,000 in the aggregate for all such cash and cash equivalents; provided that Total Net Debt shall not include Indebtedness in respect of (i) letters of credit, except to the extent of unreimbursed amounts thereunder and (ii) obligations under swap contracts.

"Total Net Leverage Ratio" means, in respect of any calendar month, on a consolidated basis, the ratio of Total Net Debt as of the last day of such calendar month to Adjusted Consolidated EBITDA for the Test Period ending on the last day of such calendar month.

(b) Effective as of the Amendment No. 3 Effective Date, Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical location therein:

" Amendment No. 3" means that certain Amendment No. 3 to Credit Agreement, dated as of August 24, 2018, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 3 Effective Date" has the meaning specified in Amendment No. 3.

"Book Cash" means the amount on deposit in the Borrowers' bank accounts located in the United States and/or Canada, as applicable, that are subject to a control agreement to the extent required under Section 8.2(d) of the Revolving Loan Agreement, at 5:00 p.m. (Eastern Time) on any date of determination less (i) all checks that have been written or otherwise distributed but not yet cashed as of such date of determination and (ii) all automated clearing house transfers that have been initiated by the depository bank and not funded by the Borrowers, provided, that the amount of such cash shall have been reconciled to the books and records (including bank statements) of the Borrowers in a manner reasonably acceptable to the Administrative Agent.

"Covenant Change Date" means the first date occurring on or after January 1, 2020 on which (i) the interest payable in respect of the Term Loans hereunder shall be payable 100% in cash on such date in accordance with the last sentence of Section 2.1(e)(3), and (ii) the Borrowers shall be obligated to pay the Restricted Amortization Payments in cash on such date in accordance with the proviso to Section 2.1(d)(1).

(c) Effective as of the Amendment No. 3 Effective Date, clause (xiii) of the definition of "Consolidated EBITDA" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"(xiii) (x) fees, costs and expenses incurred in such period in connection with the Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), among the Borrowers, the Administrative Agent and the Lenders, the Revolving Loan Forbearance Agreement (as defined in the Forbearance Agreement) and the actions contemplated thereby, including without limitation forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, (y) fees, costs and expenses incurred in such period in connection with Amendment No. 3, including without limitation amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, and (z) non-recurring cash restructuring charges incurred in such period; provided, that, that the aggregate amount included under this clause (xiii) shall not exceed $4,750,000 (for all periods in the aggregate),"

(d) Effective as of the Amendment No. 3 Effective Date, clause (d)(1) of Section 2.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"(1) Amortization. Commencing September 30, 2017, and continuing on the last day of each fiscal quarter of the Borrowers thereafter, the Borrowers shall make quarterly repayments of the principal amount of the Term Loans in the aggregate principal amount equal to 0.625% of the original principal amount of the Term Loans on the Closing Date; provided, that, with respect to any payment required under this clause (1) at any time from and after June 30, 2018 (each such scheduled payment, a "Restricted Amortization Payment"), the Borrowers shall not be required to pay any such Restricted Amortization Payment unless, with respect to any Restricted Amortization Payment that is payable on or after January 1, 2020, (x) the Borrowers shall have delivered the financial statements as of, and for the fiscal year ending, December 31, 2019 in compliance with the provisions of Section 5.1(b), and (y) the Fixed Charge Coverage Ratio of the Borrowers as of the last day of any two consecutive fiscal quarters of the Borrowers ending on or prior to the date on which such Restricted Amortization Payment is payable shall have been not less than 1.10:1.00 (provided, that, for the purposes of this clause (y), the first of any such two consecutive fiscal quarters shall not occur prior to the fiscal quarter ending on December 31, 2019)."

(e) Effective as of the Amendment No. 3 Effective Date, clause (e)(3) of Section 2.1 of the Credit Agreement is hereby amended by inserting the following paragraph and the end thereof:

"Notwithstanding anything to the contrary set forth herein, from and after the occurrence of the Amendment No. 3 Effective Date until December 31, 2019, any interest payable hereunder on any date (such amount, the "Interest Amount") shall be paid on such payment date as follows:

(i) thirty percent (30%) of such Interest Amount shall be payable by the Borrowers in cash in immediately available funds;

(ii) after giving effect to the cash payment required by clause (a) above, all remaining interest payable on such date (which, for the avoidance of doubt, shall not exceed 70% of the Interest Amount), shall be paid by capitalizing such interest (the "PIK Interest") on such payment date and adding it to (and thereby increasing) the outstanding principal amount of the Term Loans hereunder (as increased by any prior payments of PIK Interest), which increase shall be allocated among the Lenders in proportion to the principal amount of the Term Loans held by each such Lender as of such date, and thereafter all such PIK Interest shall be treated in all respects as outstanding principal under the Term Loans.

For the avoidance of doubt, notwithstanding anything to the contrary set forth herein, commencing on January 1, 2020 and at all times thereafter, 100% of all interest payable hereunder on or after such date shall be paid in cash in immediately available funds."

(f) Effective as of the Amendment No. 3 Effective Date, clause (3) of Section 2.1(g) of the Credit Agreement is hereby amended by replacing the reference to "December 31, 2017" set forth therein with a reference to "December 31, 2020".

(g) Effective as of the Amendment No. 3 Effective Date, clause (6) of Section 2.1(g) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

" (g) [Reserved]"

(h) Effective as of the Amendment No. 3 Effective Date, Section 2.6 of the Credit Agreement is hereby amended by inserting the following at the end of such section:

"Notwithstanding anything to the contrary set forth in Section 2.1(g), in the event that any Borrower shall make either (i) any prepayment in full of the Term Loans or (ii) any prepayment of the Term Loans that results in the outstanding principal balance of the Term Loans being less than $40,000,000, the Borrowers shall pay a fee to the Lenders, on the date of any such prepayment, in an aggregate amount equal to $2,000,000. Such fee shall be paid by Borrowers to the Administrative Agent, for the account of the Lenders, in cash on the date of such prepayment."

(i) Effective as of the Amendment No. 3 Effective Date, Section 5.1 of the Credit Agreement is hereby amended by (i) replacing the "." at the end of clause (v) thereof with ";" and inserting the following new clauses (w) and (x) therein:

"(w) simultaneously with the delivery thereof to any Revolving Loan Lender or the Revolving Loan Agent, any United States or Canadian borrowing base certificate and related materials delivered to any Revolving Loan Lender or the Revolving Loan Agent; and

(x) as soon as available, but in any event no later than the Wednesday following the end of each week, a thirteen (13)-week cash forecast prepared by the Financial Advisor (which at a minimum will include (i) weekly variance reporting, comparing actual amounts to forecasted amounts; (ii) weekly cash receipts; (iii) expenditures detailed category; and (iv) ending Book Cash), sales invoice reports, accounts receivables and accounts payable aging reports by top ten customers and suppliers and months in inventory reports of inventory by location and staleness, in each case, in the same form as shall have previously been delivered to the Administrative Agent and, in each case, in form and substance acceptable to the Administrative Agent in its sole discretion."

(j) Effective as of the Amendment No. 3 Effective Date, Article V of the Credit Agreement is hereby amended by inserting a new Section 5.16 to read in its entirety as follows:

" **5.16 Bi-Weekly Calls**. The Loan Parties' senior management shall, and shall cause the CRO and Financial Advisor to, hold and participate in bi-weekly conference calls or in-person meetings with the Administrative Agent and the Lenders during which (i) the Loan Parties' senior management shall, and shall cause the CRO and Financial Advisor to, provide the Administrative Agent with a reasonably detailed update of the Loan Parties' operations and financial position and (ii) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Loan Parties' senior management and the CRO and Financial Advisor with respect to the Loan Parties' operations and financial position. In connection with each such bi-weekly conference call or in-person meeting, the Loan Parties shall deliver to the Lenders, at least one Business Day prior to such call or meeting, an agenda and summary of the update of the Loan Parties' operations and financial position to be discussed at such call or meeting."

(k) Effective as of the Amendment No. 3 Effective Date, Section 5.16 of the Credit Agreement is hereby amended and restated to read in their entirety as follows:

"(a) Total Net Leverage Ratio.

(i) From and after January 1, 2020 until the Covenant Change Date, the Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Month Ending | Maximum Total Net Leverage Ratio |
|---|---|
| January 31, 2020 | 8.50:1.00 |
| February 29, 2020 | 8.50:1.00 |
| March 31, 2020 | 8.50:1.00 |
| April 30, 2020 | 8.00:1.00 |
| May 31, 2020 | 8.00:1.00 |
| June 30, 2020 | 8.00:1.00 |
| July 31, 2020 | 7.50:1.00 |
| August 31, 2020 | 7.50:1.00 |
| September 30, 2020 | 7.50:1.00 |
| October 31, 2020 | 7.00:1.00 |
| November 30, 2020 | 7.00:1.00 |
| December 31, 2020 | 7.00:1.00 |
| January 31, 2021 | 6.50:1.00 |
| February 29, 2021 | 6.50:1.00 |
| March 31, 2021 | 6.50:1.00 |
| April 30, 2021 | 6.25:1.00 |
| May 31, 2021 | 6.25:1.00 |
| June 30, 2021 | 6.25:1.00 |
| July 31, 2021 | 6.00:1.00 |
| August 31, 2021 | 6.00:1.00 |
| September 30, 2021 | 6.00:1.00 |
| October 31, 2021 | 5.75:1.00 |
| November 30, 2021 | 5.75:1.00 |
| December 31, 2021 | 5.75:1.00 |
| January 31, 2022 | 5.50:1.00 |
| February 29, 2022 | 5.50:1.00 |
| March 31, 2022 | 5.50:1.00 |
| April 30, 2022 | 5.25:1.00 |

(ii) From and after the Covenant Change Date, the Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Month Ending | Maximum Total Net Leverage Ratio |
|---|---|
| March 31, 2020 | 8.50:1.00 |
| June 30, 2020 | 8.00:1.00 |
| September 30, 2020 | 7.50:1.00 |
| December 31, 2020 | 7.00:1.00 |
| March 31, 2021 | 6.50:1.00 |
| June 30, 2021 | 6.25:1.00 |
| September 30, 2021 | 6.00:1.00 |
| December 31, 2021 | 5.75:1.00 |
| March 31, 2022 | 5.50:1.00 |

(b) Fixed Charge Coverage Ratio. From and after the FCCR Covenant Date, the Borrowers shall not permit the Fixed Charge Coverage Ratio as of the last day of any calendar month to be less than 1.00:1.00.

(c) Cumulative EBITDA. At all times on or prior to December 31, 2019, the Borrowers shall not permit the Cumulative EBITDA for any date set forth in the table below for the Test Period ending on such date to be less than the minimum Cumulative EBITDA set forth opposite such date:

| Month Ending | Minimum Cumulative EBITDA |
|---|---|
| July 31, 2018 | -$2,801,000 |
| August 31, 2018 | -$3,580,000 |
| September 30, 2018 | -$4,255,000 |
| October 31, 2018 | -$4,107,000 |
| November 30, 2018 | -$3,577,000 |
| December 31, 2018 | -$3,157,000 |
| January 31, 2019 | -$2,303,000 |
| February 28, 2019 | -$1,627,000 |
| March 31, 2019 | $178,000 |
| April 30, 2019 | $1,341,000 |
| May 31, 2019 | $2,365,000 |
| June 30, 2019 | $3,194,000 |
| July 31, 2019 | $5,296,000 |

| Month Ending | Minimum Cumulative EBITDA |
|---|---|
| August 31, 2019 | $6,952,000 |
| September 30, 2019 | $8,450,000 |
| October 31, 2019 | $9,497,000 |
| November 30, 2019 | $10,372,000 |
| December 31, 2019 | $11,135,000 |

(d) Liquidity. At all times on or prior to December 31, 2019, the Loan Parties shall not permit (A) the sum of (i) the U.S. Availability (as defined in the Revolving Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account at Bank of America in the United States and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $2,000,000 or (B) the sum of (i) the Global Availability (as defined in the Revolving Loan Agreement), plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $4,000,000.

(e) Equity Cure Contributions. For purposes of determining compliance with the Financial Covenants as of the last day of any calendar month ending on or prior to August 31, 2019, any cash equity contribution to the Borrower by Holdings (to the extent funded by Holdings from the proceeds of the issuance of Qualified Equity Interests by Holdings) after the last day of any such calendar month and on or prior to the day that is fifteen (15) Business Days after the day on which financial statements are required to be delivered under Section 5.1 for the period ending the last day of such calendar month (each an "Equity Cure Contribution") will, at the request of the Borrower, be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants for the applicable calendar month and any applicable subsequent periods that include such calendar month; provided, that (i) in any twelve month period, there shall not be more than three (3) calendar months in which an Equity Cure Contribution is made, (ii) the Borrower shall not be permitted make an Equity Cure Contribution in more than two (2) consecutive calendar months, (iii) the amount of any Equity Cure Contributions shall not be less than $1,000,000 (provided, that, in the event that the amount required to cause the Borrower to be in compliance with the Financial Covenants is less than the minimum Equity Cure Contribution set forth in this clause (iii), the Borrower must satisfy the minimum Equity Cure Contribution requirement of this clause (iii), but only the portion of such Equity Cure Contribution required to cause the Borrower to be in compliance with the Financial Covenants for such month shall be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants in accordance with the foregoing), (v) all Equity Cure Contributions will be used solely for curing the Financial Covenants and will be disregarded for purposes of determining the availability of any baskets, pricing or step-downs with respect to other provisions contained in the Loan Documents, and (vi) there shall be no pro forma or other reduction of Total Net Debt (including by way of cash netting) using the proceeds of any Equity Cure Contribution for purposes of determining compliance for the calendar month (and subsequent months in the applicable Test Period) in respect of which such Equity Cure Contribution was made. For the avoidance of doubt, the provisions of this clause (e) shall not apply to, and no Equity Cure Contributions shall be made with respect to, any period after the month ending August 31, 2019.

(l) Effective as of the Amendment No. 3 Effective Date, Section 6.21 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

" **6.21 Board Observer**. Each Loan Party shall allow (i) one (1) non-voting representative designated by the Administrative Agent (such representative, the "Attending Observer") to attend either in person or telephonically, in the capacity of an observer and not a member, all meetings and all calls of the board of directors, board of managers or similar governing body of each of the Loan Parties, including all committees and sub-committees thereof (each, a "Governing Body"), and (ii) one (1) non-voting representative designated by each Lender (each such representative, a "Call-In Observer", and the Call-In Observers and the Attending Observer, collectively, the "Observers") to attend telephonically, in the capacity of an observer and not a member, all meetings and all calls of each Governing Body. Each Loan Party shall (a) give each Observer prior written notice of all such meetings and calls of each Governing Body at the same time as notice is furnished to the members of the applicable Governing Body, but, in any event, no later than seventy two (72) hours prior to such meeting or call, (b) provide each Observer with all notices, documents and information furnished to the members of the Governing Body in connection with each such meeting or call, whether at or in anticipation of such meeting or call, an action by written consent or otherwise, at the same time as such materials are furnished to the members of the applicable Governing Body, but, in any event, no later than seventy two (72) hours prior to such meeting or call, and (c) provide to each Observer copies of the minutes and resolutions of all such meetings and calls at the same time as such minutes and resolutions are furnished to the members of the applicable Governing Body. Presence of any Observer in a meeting of a Governing Body shall not be considered in determining a quorum for any meeting of such Governing Body or for any other purpose in connection with the validity or otherwise of any action taken by such Governing Body. A majority of the members of the applicable Governing Body may exclude any Observer from any meeting or portion thereof, or from receiving any materials if, it believes that (i) such exclusion is necessary to preserve attorney-client privilege or confidentiality or (ii) there exists, with respect to any such meeting or materials, an actual or potential conflict of interest between Holdings or the Governing Body, and the Administrative Agent, the Lenders or their affiliates or such Observer (including as to discussion or materials regarding the Term Loans or any Loan Documents). The Loan Parties hereby consent to the disclosure by an Observer to the Administrative Agent or any Lender, and the disclosure by the Administrative Agent to each of the Lenders, of all materials and other information received by an Observer in his or her capacity an Observer or otherwise pursuant to, or in connection with, this Section 6.21 subject to the confidentiality provisions of the Credit Agreement. Each Governing Body shall hold regularly scheduled meeting at least once per fiscal quarter and, with respect to each such quarterly meeting, the Loan Parties shall provide each Observer with notice of the date of such quarterly meeting no later than the last day of the immediately prior fiscal quarter. The Loan Parties will pay, or will cause one of its Subsidiaries to pay, the reasonable out-of-pocket costs and expenses incurred by an Observer in the course of his or her service hereunder, including in connection with attending regular and special meetings of a Governing Body, or any of its committees, in each case, subject to the Loan Parties' policies and procedures with respect thereto (including the requirement of reasonable documentation thereof)."

(m) Effective as of the Amendment No. 3 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.23 to read in its entirety as follows:

" **6.23** **Chief Restructuring Officer**. On or prior to September 14, 2018, the Loan Parties shall have retained a chief restructuring officer (the "CRO"), which CRO must be retained from either FTI Consulting, Conway MacKenzie or Zolfo Cooper, and the terms of such retention, and the scope of work of such CRO, shall have been approved by each of the Lenders. Following the initial retention of the CRO in accordance with this Section 6.23, the Loan Parties shall maintain the retention of the CRO until the earlier of (i) such date as the Borrowers and the Lenders mutually agree that the services of the CRO are no longer necessary, (ii) the first day of any calendar month on which the aggregate Adjusted Consolidated EBITDA for the six full calendar month period ending immediately preceding such day shall have been at least $6,500,000 and (iii) the Covenant Change Date has occurred."

(n) Effective as of the Amendment No. 3 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.24 to read in its entirety as follows:

" **6.24** **Prohibited Transactions**. Notwithstanding anything set forth in the Credit Agreement or any Loan Document to the contrary, no Loan Party shall (and no Loan Party shall permit any of their respective Subsidiaries to):

(a) make or pay any Restricted Payment other than Tax Distributions permitted to be made pursuant to Section 6.10;

(b) pay any Permitted Management Fees or pay any other management fees to the Manager, the Sponsor, the Co-Investor, any of their respective Affiliates or any other person or entity;

(c) form, establish, create or invest in any Subsidiary or any other Person;

(d) liquidate or dissolve, or consolidate or merge with any Person;

(e) pay any earnout or any similar obligation, including, without limitation, any Asset Acquisition Earnout Obligation;

(f) declare, make or pay any intercompany loans, investments or other transfer of assets (including any Permitted Intercompany Loans) from the Borrowers or any of their domestic Subsidiaries to any Canadian Subsidiaries;

(g) prepay or repay any Indebtedness other than to repay on the Revolver Loans; or

(h) make any Investment, including any Permitted Investment."

(o) Effective as of the Amendment No. 3 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.25 to read in its entirety as follows:

" **6.25 Required Equity Infusion**.

(a) On the Amendment No. 3 Effective Date, Holdings shall have received, and shall have made a cash common equity contribution to the Borrowers of, the Net Cash Proceeds from the issuance and sale of Equity Interests (other than Disqualified Equity Interests) to the existing direct and indirect holders of Equity Interests of Holdings in an aggregate amount not less than $11,000,000, in each case, on terms and conditions satisfactory to the Lenders.

(b) On or prior to August 29, 2018, Holdings shall have received, and shall have made a cash common equity contribution to the Borrowers of, the Net Cash Proceeds from the issuance and sale of Equity Interests (other than Disqualified Equity Interests) to third party investors that are unaffiliated with the existing direct and indirect holders of Equity Interests of Holdings in an aggregate amount (after deducting any amount of such Net Cash Proceeds that shall be applied by the Loan Parties to repay up to $2,000,000 of Subordinated Indebtedness) not less than $10,000,000, in each case, on terms and conditions satisfactory to the Lenders.

(c) The Loan Parties shall not apply the proceeds of the issuances and sales of Equity Interests pursuant to clauses (a) and (b) above to the repayment of any Subordinated Indebtedness other than a repayment, in the aggregate, of up to $2,000,000 of Subordinated Indebtedness."

(p) Effective as of the Amendment No. 3 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.26 to read in its entirety as follows:

" **6.26 Lender Meetings**. If requested by the Lenders, the Loan Parties shall make the senior management of the Loan Parties available for up to two (2) in-person meetings each calendar year with the Administrative Agent and the Lenders during which (i) the Loan Parties' senior management shall provide the Administrative Agent with a reasonably detailed update of the Loan Parties' operations and financial position and (ii) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Loan Parties' senior management with respect to the Loan Parties' operations and financial position. At the option of the Lenders, any such meeting shall be held at any facility of the Loan Parties requested by the Lenders."

(q) Effective as of the Amendment No. 3 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.27 to read in its entirety as follows:

" **6.27 Events Related to Executive Officers**. In the event that the employment or engagement of any executive officer of any of the Loan Parties shall terminate or expire for any reason (including, without limitation, by reason of any resignation by such executive officer or any termination of such executive officer by any Loan Party), (i) the Loan Parties shall notify the Lenders in writing of such event no later than forty eight (48) hours following such termination or expiration and (ii) the applicable Loan Party shall not hire or engage any replacement of such executive officer without the Lender's prior written consent (which consent shall not be unreasonably withheld)."

SECTION 4. Amendment Fee. Effective as of the Amendment No. 3 Effective Date, the Borrowers shall pay an amendment fee for the benefit of each of the Lenders in an amount equal to 0.50% of the outstanding principal amount of the Term Loans held by each such Lender (which, for the avoidance of doubt, shall equal an aggregate fee of $387,903.92), which fee (i) shall be for each such Lender's own account and shall be fully earned and due and payable on the Amendment No. 3 Effective Date and (ii) shall be paid, with respect to each Lender, by capitalizing the fee to such Lender on the Amendment No. 3 Effective Date and adding it to (and thereby increasing) the outstanding principal amount of the Term Loans held by such Lender hereunder. For the avoidance of doubt, for all purposes of the Credit Agreement and each of the other Loan Documents, the outstanding principal amount of the Term Loans owed to each Lender on the Amendment No. 3 Effective Date shall, effective as of the Amendment No. 3 Effective Date, be increased by the aggregate amount of the fee payable to such Lender under this Section 4 on such date.

SECTION 5. Conditions Precedent. This Waiver and Amendment shall only become effective upon the date (the "Amendment No. 3 Effective Date") on which each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Waiver and Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Lenders;

(b) the Administrative Agent shall have received a fully executed copy of the Waiver and Third Amendment to Amended and Restated Loan and Security Agreement, dated as of the date hereof (the "ABL Amendment"), among the Loan Parties, the other borrowers party thereto, the Revolving Loan Agent and the Revolving Loan Lenders, in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(c) after giving effect to this Waiver and Amendment, and the transactions contemplated hereby and thereby, all representations and warranties contained in this Waiver and Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 3 Effective Date as if made on the Amendment No. 3 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(d) after giving effect to this Waiver and Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, no Default or Event of Default shall exist or have occurred and be continuing as of the Amendment No. 3 Effective Date;

(e) the Loan Parties shall have paid all reasonable costs and expenses of the Administrative Agent and each of the Lenders (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of this Waiver and Amendment and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Waiver and Amendment and the Loan Documents, which payment shall be nonrefundable;

(f) the Administrative Agent shall have received a closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent that the conditions set forth in this Section 5 have been satisfied.

SECTION 6. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) after giving effect to this Waiver and Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 3 Effective Date, no Default or Event of Default exists or has occurred and is continuing;

(b) this Waiver and Amendment, the ABL Amendment and each other agreement to be executed and delivered in connection herewith or therewith (together with this Waiver and Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Amendment No. 3 Effective Date and the agreements and obligations of Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(c) after giving effect to this Waiver and Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 3 Effective Date, all representations and warranties contained in this Waiver and Amendment, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 3 Effective Date as if made on the Amendment No. 3 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date; and

(d) neither the execution, delivery and performance of this Waiver and Amendment or any other Amendment Document, nor the consummation of any of the transactions contemplated hereby, (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party;

SECTION 7. Effect of this Waiver and Amendment; Ratification.

(a) Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 3 Effective Date and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Waiver and Amendment or with respect to the subject matter of this Waiver and Amendment. Except as expressly set forth herein, this Waiver and Amendment shall not operate as a waiver of any obligation of Holdings, any Borrower or any other Loan Party under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Waiver and Amendment is not a novation or discharge of any of the obligations of Holdings, the Borrowers or the other Loan Parties under the Credit Agreement and the other Loan Documents. This Waiver and Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Waiver and Amendment shall be read and construed as one agreement.

(b) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 8. Acknowledgements. Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Secured Liens on the assets and property of each of the Loan Parties pursuant to the Loan Documents; (y) that the reaffirmation of each of the Secured Liens is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of the Secured Liens and the Secured Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Loan Party hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Administrative Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Administrative Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Secured Liens or any of the Loan Documents;

(d) that each Loan Party consents to the execution and delivery of this Agreement and agrees and acknowledges that the liability of each Loan Party under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Secured Liens, shall not be diminished in any way by the execution and delivery of this Agreement or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Administrative Agent have been given by the Lenders or the Administrative Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent;

(h) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(i) neither any Lender nor the Administrative Agent is required to make any loan advance to any Loan Party under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Administrative Agent and subject to such conditions and the payment of such fees as each such Lender and the Administrative Agent requires in their sole discretion.

SECTION 9. Indemnity and Release.

(a) Each of Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 9 shall be effective on the Forbearance Effective Date regardless of whether any post-Forbearance Effective Date conditions to this Agreement are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(b) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Agreement, any other Loan Document or any other document executed in connection with the transactions contemplated by this Agreement; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

SECTION 10. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent and each of the Lenders for all expenses reasonably incurred for the preparation and negotiation of this Waiver and Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 11. Governing Law. This Waiver and Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 12. Binding Effect. This Waiver and Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 13. Captions. The captions in this Waiver and Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Waiver and Amendment.

SECTION 14. No Course of Dealing. Holdings, each Borrower and each other Loan Party acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Agreement has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 15. Counterparts. This Waiver and Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

IN WITNESS WHEREOF, the Administrative Agent, the Lenders and each of the Loan Parties have caused this Amendment to be duly executed by its authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

WJCO LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**GUARANTOR:**

HYDROFARM CANADA, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

*[Signature Page to Amendment No. 3 to Forbearance Agreement]*

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as Administrative Agent

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL FUND 1V, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL FUND III HOLDINGS SPV-3, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV-U, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

**LENDER:**

MAIN STREET CAPITAL CORPORATION, as Lender

By: /s/ Jason Beauvais
Name: Jason Beauvais
Title: SVP

*[Signature Page to Amendment No. 3 to Credit Agreement]*

**LENDER:**

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Authorized Agent

*[Signature Page to Amendment No. 3 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[Signature Page to Amendment No. 3 to Credit Agreement]*

SCHEDULE 1

Specified Defaults

**Exhibit 10.17**

**EXECUTION VERSION**

AMENDMENT NO. 4 TO CREDIT AGREEMENT

This AMENDMENT NO. 4 TO CREDIT AGREEMENT (this "Amendment"), dated as of March 15, 2019 is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

W I T N E S E T H:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, Holdings and the Borrowers have requested that the Lenders and the Administrative Agent amend the Credit Agreement as set forth herein.

WHEREAS, concurrently with the execution and delivery of this Amendment, Borrowers will prepay $3,000,000 to the Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments. Subject to the terms and conditions hereof, effective as of the Amendment No. 4 Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 3:

(a) Effective as of the Amendment No. 4 Effective Date, the following definitions in Section 1.1 of the Credit Agreement are hereby amended and restated to read in their entirety as follows:

"Change of Control" means (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in a Borrower or any other Loan Party; (b) Hydrofarm Holdings Group, Inc. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Hydrofarm Investment Corp.; (c) Hydrofarm Investment Corp. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Holdings; (d) Sponsor or any Co-Investor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Hydrofarm Holdings Group, Inc. representing at least 50.1% of the voting power and at least 50.1% of the economic interest represented by the Equity Interests of Hydrofarm Holdings Group, Inc. held by Sponsor or such Co-Investor, respectively, on the Amendment No. 4 Effective Date; (e) the Sponsor Group shall cease, for any reason, to have, collectively, the right or ability by voting power, contract or otherwise to, directly or indirectly, elect or designate for election a majority (in number and in voting power) of the members of the board of directors, board of managers or similar governing body of Hydrofarm Holdings Group, Inc.; (f) any "change of control" (or similar term) under the Revolving Loan Facility, the Revolving Loan Documents or any Subordinated Indebtedness, while outstanding, shall have occurred; or (g) Hydrofarm Holdings Group, Inc. shall become a direct or indirect Subsidiary of any Person.

"Consolidated EBITDA" means, for any period for which the amount thereof is to be determined, an amount equal to Consolidated Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) non-recurring fees and expenses paid in cash in connection with Hydrofarm Acquisition, this Agreement, the Loan Documents and the Revolving Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,

(vi) any non-cash losses arising from the sale of capital assets during such period,

(vii) the aggregate amount of all Permitted Management Fees paid or accrued with respect to such period prior to the Amendment No. 3 Effective Date,

(viii) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory),

(ix) transaction fees, costs, and expenses incurred in such period in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed (x) $750,000 in any twelve-month period that includes the Amendment No. 2 Effective Date and (y) $500,000 in any twelve-month period that does not include the Amendment No. 2 Effective Date,

(x) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

(xi) non-recurring costs and expenses incurred between the Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Responsible Officer of the Borrower Agent, and (y) reasonably expected by the Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),

(xii) other non-recurring fees and expenses approved by Administrative Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "EBITDA" under the Revolving Loan Agreement pursuant to clause (a)(xii) of the definition of "EBITDA" set forth in the Revolving Loan Agreement,

(xiii) (w) fees, costs and expenses incurred in such period in connection with the Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), among the Borrowers, the Administrative Agent and the Lenders, the Revolving Loan Forbearance Agreement (as defined in the Forbearance Agreement) and the actions contemplated thereby, including without limitation forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, (x) fees, costs and expenses incurred in such period in connection with Amendment No. 3, including without limitation amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, (y) fees, costs and expenses incurred solely in connection with this Amendment and the Fourth Amendment to Revolving Loan Agreement, including amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals; provided, that such amount (together with the amounts under clause (z) below) shall not exceed the aggregate amount of $2,000,000, and (z) (xvi) the amount of business restructuring charges and fees, costs and expenses incurred between January 1, 2019 and December 31, 2019; provided, that such amount (together with the amounts under clause (y) above) shall not exceed $2,000,000 in the aggregate,

and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication,

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and

(iii) any non-cash extraordinary gains during such period.

(b) Effective as of the Amendment No. 4 Effective Date, Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical location therein:

"Amendment No. 4" means that certain Amendment No. 4 to Credit Agreement, dated as of March 15, 2019, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 4 Effective Date" has the meaning specified in Amendment No. 4.

"Permitted Refinancing Revolving Loan Facility" means a Revolving Loan Facility that refinances in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement, so long as, without the prior consent of the Required Lenders, (i) such refinancing and such Revolving Loan Facility, and the terms thereof, are permitted under Section 10.4 of the Intercreditor Agreement (provided, that, the applicable all-in interest rate (including the impact of any fees) in respect of such Revolving Loan Facility shall be deemed to satisfy the limitations in respect thereof set forth in 10.4(b)(ii) of the Intercreditor Agreement so long as the all-in interest rate in respect of such Revolving Loan Facility does not exceed the lesser of (x) prevailing market rates (including the impact of any fees) for such Revolving Loan Facility or (y) the interest rate in respect of the Term Loans), and (ii) except as permitted by the proviso to clause (i) above, the terms of such Revolving Loan Facility (including, without limitation, any restrictions or limitations therein on the ability of the Loan Parties to make payments or prepayments in respect of the Obligations) shall, taken as a whole, be at least as favorable to the Term Lenders as those contained in the Revolving Loan Agreement and Intercreditor Agreement, in each case, as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, but without giving effect to (A) the amendment to the definition of "Revolver Termination Date" set forth in Section 2(a) of the Fourth Amendment to Revolving Loan Agreement, and (B) the amendment to Section 10.2(h) of the Revolving Loan Agreement set forth in Section 2(e) of the Fourth Amendment to Revolving Loan Agreement (and any amendments to any defined terms used therein).

"Side Agreement" has the meaning specified in Amendment No. 4.

"Sponsor Group" means Hawthorn Equity Partners, Broadband Capital Investments, Serruya Private Equity, Peter Wardenburg and their affiliates, and shareholders that have designated their voting rights to any of the Sponsor Group.

(c) Effective as of the Amendment No. 4 Effective Date, Section 5.16(c) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(c) Cumulative EBITDA. At all times on or prior to December 31, 2019, the Borrowers shall not permit the Cumulative EBITDA for any date set forth in the table below for the Test Period ending on such date to be less than the minimum Cumulative EBITDA set forth opposite such date:

| Month Ending | Minimum Cumulative EBITDA |
|---|---|
| November 30, 2018 | ($2,455,000) |
| December 31, 2018 | ($3,515,000) |
| January 31, 2019 | ($4,166,000) |
| February 28, 2019 | ($4,507,000) |
| March 31, 2019 | ($3,925,000) |
| April 30, 2019 | ($2,972,000) |
| May 31, 2019 | ($2,384,000) |
| June 30, 2019 | ($2,185,000) |
| July 31, 2019 | ($1,942,000) |
| August 31, 2019 | ($1,537,000) |
| September 30, 2019 | ($1,356,000) |
| October 31, 2019 | ($853,000) |
| November 30, 2019 | $335,000 |
| December 31, 2019 | $1,832,000 |

(d) Effective as of the Amendment No. 4 Effective Date, Section 6.21 of the Credit Agreement is hereby amended by inserting a new sentence at the end of such Section 6.21 to read in its entirety as follows:

"The Loan Parties shall cause the Governing Body to hold at least one meeting of the Governing Body each calendar quarter."

(e) Effective as of the Amendment No. 4 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.28 to read in its entirety as follows:

" **6.28 Side Agreement**. The Loan Parties shall cause Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp. to comply with the terms of the Side Agreement, including the execution and delivery of the documents described therein and on the timeframes set forth therein."

(f) Effective as of the Amendment No. 4 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.29 to read in its entirety as follows:

" **6.29 Milestones**. The Loan Parties will:

(a) On or prior to March 31, 2019, cease to occupy, and deliver evidence to Administrative Agent (in form and substance satisfactory to Administrative Agent) that the Borrowers have ceased occupying, the facilities located in Florida and the Sunblaster Facility in British Columbia.

(b) Achieve annualized cost reductions of at least $750,000 prior to April 30, 2019."

(g) Effective as of the Amendment No. 4 Effective Date, Article VI of the Credit Agreement is hereby amended by inserting a new Section 6.30 to read in its entirety as follows:

" **6.30 Refinancing of Revolving Loan Facility**.

(a) On or prior to the "Revolver Termination Date" (as defined in the Revolving Loan Agreement as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, dated as of the Amendment No. 4 Effective Date, and after giving effect to any further amendment or modification thereto permitted under this Agreement and the Intercreditor Agreement)), the Loan Parties shall (i) enter into a Permitted Refinancing Revolving Loan Facility and (ii) repay in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement.

(b) Without limiting the provisions of clause (a) above, prior to entering into any Revolving Loan Facility that refinances, or otherwise incurring any Indebtedness that refinances, all or any portion of the Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement (a "Refinancing Facility"), the Loan Parties shall provide written notice to the Lenders at least fifteen (15) Business Days prior to entering into such Revolving Loan Facility or incurring such Indebtedness, which notice shall set forth all material terms and conditions of the proposed Refinancing Facility and shall identify the proposed lenders in respect thereof."

(h) Effective as of the Amendment No. 4 Effective Date, Section 7.1 of the Credit Agreement is hereby amended by (i) deleting the "or" at the end of clause (o) thereof, (ii) replacing the "." at the end of clause (p) thereof with a ";", and (iii) inserting a new clause (r) to read in its entirety as follows:

" (r) Any of the following shall occur: (i) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp., Holdings or any of the Borrowers shall breach or fail to perform any covenant contained in the Side Agreement, (ii) Hydrofarm Investment Corp. or any Subsidiary of Hydrofarm Holdings Group, Inc. or Hydrofarm Investment Corp. formed to be the "Acquiring Entity" (as defined in the Side Agreement) shall breach or fail to perform any guarantee, agreement or other instrument entered into in connection with, or pursuant to, the Side Agreement (the "Side Agreement Documents"), (iii) any representation, warranty or other written statement of Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries made in connection with the Side Agreement or any Side Agreement Document or transactions contemplated thereby is incorrect or misleading in any material respect when given, (iv) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries repudiates, revokes or attempts to revoke the Side Agreement or any Side Agreement Document or any of its obligations thereunder, (v) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries or any Affiliate thereof denies or contests the validity or enforceability of the Side Agreement or any Side Agreement Document, or the perfection or priority of any Lien granted to the Administrative Agent for the benefit of the Secured Parties pursuant to the Side Agreement or any Side Agreement Document, (vi) the Side Agreement or any Side Agreement Document ceases to be in full force or effect for any reason (other than a waiver or release by the Administrative Agent and Lenders), (vii) any security interest and Lien purported to be granted to the Administrative Agent for the benefit of the Secured Parties by any Side Agreement Document shall for any reason cease to be in full force and effect or create a valid security interest in any material portion of the collateral purported to be granted thereunder or such security interest shall for any reason (other than the failure of the Administrative Agent to take any action within its control) cease to be a perfected security interest with the priority stated in any Side Agreement Document, or (viii) any "event of default" (or similar term) shall occur under the Side Agreement or any Side Agreement Document; or"

(i) Effective as of the Amendment No. 4 Effective Date, Section 7.1 of the Credit Agreement is hereby amended by inserting a new clause (s) to read in its entirety as follows:

" (s) The Loan Parties shall fail, for any reason, to enter into a Permitted Refinancing Revolving Loan Facility and repay in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement by the "Revolver Termination Date" (as defined in the Revolving Loan Agreement as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, dated as of the Amendment No. 4 Effective Date, and any extensions of the Revolver Termination Date agreed to by the Revolving Loan Lenders))."

SECTION 2. Amendment Fee. Effective as of the Amendment No. 4 Effective Date, the Borrowers shall pay an amendment fee for the benefit of each of the Lenders in an amount equal to 0.50% of the outstanding principal amount of the Term Loans held by each such Lender (which, for the avoidance of doubt, shall equal an aggregate fee of $407,134.89), which fee (i) shall be for each such Lender's own account and shall be fully earned and due and payable on the Amendment No. 4 Effective Date and (ii) shall be paid, with respect to each Lender, by capitalizing the fee to such Lender on the Amendment No. 4 Effective Date and adding it to (and thereby increasing) the outstanding principal amount of the Term Loans held by such Lender hereunder. For the avoidance of doubt, for all purposes of the Credit Agreement and each of the other Loan Documents, the outstanding principal amount of the Term Loans owed to each Lender on the Amendment No. 4 Effective Date shall, effective as of the Amendment No. 4 Effective Date, be increased by the aggregate amount of the fee payable to such Lender under this Section 2 on such date.

SECTION 3. Conditions Precedent. This Amendment shall only become effective upon the date (the "Amendment No. 4 Effective Date") on which each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Lenders;

(b) the Administrative Agent shall have received a fully executed copy of the Fourth Amendment to Amended and Restated Loan and Security Agreement, dated as of the date hereof (the "ABL Amendment"), among the Loan Parties, the other borrowers party thereto, the Revolving Loan Agent and the Revolving Loan Lenders, in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(c) the Administrative Agent shall have received counterparts of the side agreement ("Side Agreement") in the form of Exhibit A hereto, duly executed and delivered by Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp., Holdings and the Borrowers;

(d) the Administrative Agent shall have received satisfactory evidence that (i) Hydrofarm Holdings Group, Inc. has made, directly or indirectly, a common cash contribution of $3,000,000, in immediately available funds, to Holdings, (ii) Holdings has applied the proceeds of the contribution referred to in clause (i) to make a common cash contribution of $3,000,000, in immediately available funds, to the Borrower Agent, and (iii) the Borrower Agent has applied the proceeds of the contribution referred to in clause (ii) to make a voluntary prepayment of $3,000,000 in principal amount of the Term Loans pursuant to Section 2.1(g)(1) of the Credit Agreement;

(e) after giving effect to this Amendment, and the transactions contemplated hereby and thereby, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 4 Effective Date as if made on the Amendment No. 4 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(f) after giving effect to this Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, no Default or Event of Default shall exist or have occurred and be continuing as of the Amendment No. 4 Effective Date;

(g) the Loan Parties shall have paid all reasonable costs and expenses of the Administrative Agent and each of the Lenders (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of this Amendment and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Amendment and the Loan Documents, which payment shall be nonrefundable;

(h) the Administrative Agent shall have received a closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent that the conditions set forth in this Section 3 have been satisfied.

SECTION 4. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(i) after giving effect to this Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 4 Effective Date, no Default or Event of Default exists or has occurred and is continuing;

(j) this Amendment, the ABL Amendment, the Side Agreement and each other agreement to be executed and delivered in connection herewith or therewith (together with this Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party (and, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.) which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Amendment No. 4 Effective Date and the agreements and obligations of the Loan Parties (and, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.) contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of the Loan Parties (and, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.) enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(k) after giving effect to this Amendment, the ABL Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 4 Effective Date, all representations and warranties contained in this Amendment, the Amendment Documents, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 4 Effective Date as if made on the Amendment No. 4 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date; and

(l) neither the execution, delivery and performance of this Amendment or any other Amendment Document, nor the consummation of any of the transactions contemplated hereby, (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party (or, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.) is a party or by which any Loan Party (or, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.) or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party (or, in the case of the Side Agreement, Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp.);

SECTION 5. Effect of this Amendment; Ratification.

(m) Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 4 Effective Date and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. Except as expressly set forth herein, this Amendment shall not operate as a waiver of any obligation of Holdings, any Borrower or any other Loan Party under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Amendment is not a novation or discharge of any of the obligations of Holdings, the Borrowers or the other Loan Parties under the Credit Agreement and the other Loan Documents. This Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Amendment shall be read and construed as one agreement.

(n) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 6. Acknowledgements. Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Secured Liens on the assets and property of each of the Loan Parties pursuant to the Loan Documents; (y) that the reaffirmation of each of the Secured Liens is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of the Secured Liens and the Secured Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Loan Party hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Administrative Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Administrative Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Secured Liens or any of the Loan Documents;

(d) that each Loan Party consents to the execution and delivery of this Amendment and agrees and acknowledges that the liability of each Loan Party under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Secured Liens, shall not be diminished in any way by the execution and delivery of this Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Administrative Agent have been given by the Lenders or the Administrative Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent;

(h) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(i) neither any Lender nor the Administrative Agent is required to make any loan advance to any Loan Party under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Administrative Agent and subject to such conditions and the payment of such fees as each such Lender and the Administrative Agent requires in their sole discretion.

SECTION 7. Indemnity and Release.

(a) Each of the Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 7 shall be effective on the Amendment No. 4 Effective Date regardless of whether any post-Amendment No. 4 Effective Date conditions to this Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(b) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

SECTION 8. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent and each of the Lenders for all expenses reasonably incurred for the preparation and negotiation of this Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 9. Governing Law. This Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 10. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 11. Captions. The captions in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

SECTION 12. No Course of Dealing. Holdings, each Borrower and each other Loan Party acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 13. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

[***Signature Pages Follow***]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as Administrative Agent

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BCOF CAPITAL, LP, as Lender

By: BCOF Capital Managers, LLC,
as its General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BRIGHTWOOD CAPITAL FUND III HOLDINGS SPV-3, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BRIGHTWOOD CAPITAL FUND II-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV-U, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**LENDER:**

MAIN STREET CAPITAL CORPORATION, as Lender

By: /s/ Nick Meserve
Name: Nick Meserve
Title: Managing Director

**LENDER:**

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Authorized Agent

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

**Exhibit 10.18**

**EXECUTION VERSION**

AMENDMENT NO. 5 TO CREDIT AGREEMENT

This AMENDMENT NO. 5 TO CREDIT AGREEMENT (this "Amendment"), dated as of July 11, 2019, is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein;

WHEREAS, pursuant to Section 9.1 of the Credit Agreement, in order to effect the amendments to the Credit Agreement contemplated by this Amendment, this Amendment must be approved by the Required Lenders; and

WHEREAS, the undersigned Lenders constitute the Required Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments. Subject to the terms and conditions hereof, effective as of the Amendment No. 5 Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 2, the Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double- underlined text) as set forth in the pages of the Credit Agreement attached as Annex A hereto; and

SECTION 2. Conditions Precedent. This Amendment shall only become effective upon the date (the "Amendment No. 5 Effective Date") on which each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Required Lenders;

(b) the Administrative Agent shall have received a fully executed copy of the Loan and Security Agreement, dated as of the date hereof (the "ABL Agreement"), among the Loan Parties, the other borrowers party thereto, the Revolving Loan Agent and the Revolving Loan Lenders, in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(c) the Administrative Agent shall have received a fully executed copy of the Intercreditor Agreement, dated as of the date hereof (the "Intercreditor Agreement"), between the Revolving Loan Agent and the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent;

(d) the Administrative Agent shall have received a fully executed copy of the HHG Note, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(e) the Administrative Agent shall have received a fully executed copy of the Subordination Agreement, dated as of the date hereof, between the Administrative Agent, Hydrofarm Holdings Group, Inc., the Borrowers and the Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent;

(f) after giving effect to this Amendment, the ABL Agreement, the HHG Note and the HHG Subordination Agreement and the transactions contemplated hereby and thereby, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 5 Effective Date as if made on the Amendment No. 5 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(g) after giving effect to this Amendment, the ABL Agreement, the HHG Note and the HHG Subordination Agreement and the transactions contemplated hereby and thereby, no Default or Event of Default shall exist or have occurred and be continuing as of the Amendment No. 5 Effective Date;

(h) the Loan Parties shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of this Amendment and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Amendment and the Loan Documents, which payment shall be nonrefundable;

(i) the Administrative Agent shall have received a certificate, duly executed by a Responsible Officer of Borrower Agent, certifying as to the solvency on the Amendment No. 5 Effective Date, after giving effect to this Amendment, the ABL Agreement, the HHG Note and the HHG Subordination Agreement and the transactions contemplated hereby and thereby, of Holdings and its Subsidiaries;

(j) the Administrative Agent shall have received a certificate executed by a Responsible Officer or member of each Loan Party, certifying in the name of and on behalf of such Loan Party that (A) a true, correct and complete copy of its charter document, with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (B) a true, correct and complete copy of its operating agreement or bylaws, with all amendments thereto, is attached to the certificate, (C) a correct and complete copy of the resolutions of its members or shareholders authorizing the execution, delivery and performance of this Amendment are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (D) a certificate of good standing dated within a reasonably close period of time prior to the Amendment No. 5 Effective Date for such Loan Party issued by the Secretary of State or similar state official for the state in which such Loan Party is incorporated, formed or organized and (E) signature and incumbency certificates of its officers executing this Amendment, all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification;

(k) the Administrative Agent shall have received a copy of a duly executed payoff letter and UCC-3 termination statements with respect to the Revolving Loan Agreement (as defined prior to giving effect to this Amendment); and

(l) the Administrative Agent shall have received a closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent that the conditions set forth in this Section 2 have been satisfied.

SECTION 3. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) after giving effect to this Amendment, the ABL Agreement, the HHG Note and the HHG Subordination Agreement and the transactions contemplated hereby and thereby, as of the Amendment No. 5 Effective Date, no Default or Event of Default exists or has occurred and is continuing;

(b) this Amendment, the Intercreditor Agreement, the HHG Note and the HHG Subordination Agreement and each other agreement to be executed and delivered in connection herewith or therewith (together with this Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Amendment No. 5 Effective Date and the agreements and obligations of the Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(c) after giving effect to this Amendment, the ABL Agreement, the HHG Note and the HHG Subordination Agreement and the transactions contemplated hereby and thereby, as of the Amendment No. 5 Effective Date, all representations and warranties contained in this Amendment, the Amendment Documents, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 5 Effective Date as if made on the Amendment No. 5 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(d) neither the execution, delivery and performance of this Amendment, the HHG Note, the HHG Subordination Agreement, any other Amendment Document or the ABL Agreement, nor the consummation of any of the transactions contemplated hereby (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party; and

(e) each of the representations and warranties set forth in the ABL Agreement are true and correct in all material respects.

SECTION 4. Effect of this Amendment; Ratification.

(a) Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 5 Effective Date and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. This Amendment shall not operate as a waiver of any obligation of Holdings, any Borrower or any other Loan Party under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Amendment is not a novation or discharge of any of the obligations of Holdings, the Borrowers or the other Loan Parties under the Credit Agreement and the other Loan Documents. This Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Amendment shall be read and construed as one agreement.

(b) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 5. Acknowledgements. Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Secured Liens on the assets and property of each of the Loan Parties pursuant to the Loan Documents; (y) that the reaffirmation of each of the Secured Liens is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of the Secured Liens and the Secured Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Loan Party hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Administrative Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Administrative Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Secured Liens or any of the Loan Documents;

(d) that each Loan Party consents to the execution and delivery of this Amendment and agrees and acknowledges that the liability of each Loan Party under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Secured Liens, shall not be diminished in any way by the execution and delivery of this Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Administrative Agent have been given by the Lenders or the Administrative Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent;

(h) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(i) neither any Lender nor the Administrative Agent is required to make any loan advance to any Loan Party under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Administrative Agent and subject to such conditions and the payment of such fees as each such Lender and the Administrative Agent requires in their sole discretion.

SECTION 6. Indemnity and Release.

(a) Each of the Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 6 shall be effective on the Amendment No. 5 Effective Date regardless of whether any post- Amendment No. 5 Effective Date conditions to this Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(b) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

SECTION 7. Expenses. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation and negotiation of this Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 8. Governing Law. This Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 9. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 10. Captions. The captions in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

SECTION 11. No Course of Dealing. Holdings, each Borrower and each other Loan Party acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 12. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

[***Signature Pages Follow***]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDIN LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as
Administrative Agent

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BCOF CAPITAL, LP,
as Lender

By: BCOF Capital Managers, LLC,
as it General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III HOLDINGS SPV-3, LLC,
as Lender

By: Brightwood Capital Fund Managers III, LLC,
as it Manager

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND III-U LP,
as Lender

By: Brightwood Capital Fund Managers III, LLC,
as it General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV, LP,
as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as it General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV, LP,
as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as it General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV-U, LP,
as Lender

By: Brightwood Capital Fund Managers IV, LLC,
as it General Partner

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

MAIN STREET CAPITAL CORPORATION,
as Lender

By: /s/ Watt Matthews
Name: Watt Matthews
Title: Managing Director

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

HMS INCOME FUND, INC.,
as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Chief Investment Officer

*[Signature Page to Amendment No. 5 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[Signature Page to Amendment No. 5 to Credit Agreement]*

ANNEX A

Amended Credit Agreement

**CREDIT AGREEMENT**

**DATED MAY 12, 2017 and as amended by**
**Amendment No. 1 on September 21, 2017, and**
**Amendment No. 2 on November 8, 2017, and**
**Forbearance Agreement and Amendment dated as of Credit Agreement dated May 18, 2018, and**
**Amendment No. 3 dated as of August 24, 2018, and Amendment No. 4 dated as of March 15, 2019, and**
**Amendment No. 5 dated as of July 11, 2019**

**BY AND AMONG**

**HYDROFARM HOLDINGS LLC**
**(to be succeeded as a Borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster LLC),**
**as Initial Borrower,**

**THE OTHER LOAN PARTIES WHICH ARE PARTY HERETO,**

**THE LENDERS WHICH ARE PARTY HERETO**

**AND**

**BRIGHTWOOD LOAN SERVICES LLC**
**as Administrative Agent**

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**CREDIT AGREEMENT**

This CREDIT AGREEMENT effective as of the 12th day of May, 2017, by and among **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Initial Borrower" or "Holdings"; immediately upon consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, Initial Borrower shall be succeeded as a Borrower hereunder by **HYDROFARM, LLC**, a California limited liability company ("Hydrofarm"), **WJCO LLC**, a Colorado limited liability company ("WJCO"), **EHH HOLDINGS, LLC** ("EHH"), a Delaware limited liability company and **SUNBLASTER, LLC**, a Delaware limited liability company ("SunBlaster")), the other Loan Parties party hereto, the Lenders now or hereafter parties hereto, and **BRIGHTWOOD LOAN SERVICES LLC**, in its capacity as Administrative Agent for the Lenders.

**WHEREAS**, the Borrowers have requested and the Lenders have agreed to provide, subject to the terms and conditions hereof, certain extensions of credit.

**NOW, THEREFORE**, in consideration of the terms and conditions contained herein, and of any loans or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by the Lenders and the Administrative Agent, the parties hereto agree as follows:

**ARTICLE I**
**DEFINITIONS AND OTHER TERMS**

**1.1 Defined Terms.** The following terms when used in this Agreement shall, except where the context otherwise requires, have the following meanings:

"Acquired Company" means, collectively, Hydrofarm and its Subsidiaries.

"Acquisition" means (whether by purchase, exchange, issuance of Equity Interests or Equity Interests Equivalents, merger, reorganization, joint venture or otherwise) a transaction or series of transactions resulting, directly or indirectly, in (a) the acquisition by a Borrower or its Subsidiaries of all or a substantial portion of a business, unit, division or ~~substantially all~~a material portion of the assets of a Person, (b) the record or beneficial ownership by a Borrower or its Subsidiaries of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary of a Borrower or its Subsidiaries, (c) the merger, amalgamation, consolidation or combination of a Borrower or a Subsidiary with another Person (other than a Person that is already a Subsidiary), ~~or (d~~(d) the acquisition by a Borrower or its Subsidiaries of any assets except in the ordinary course of business, or (e) any other business combination by a Borrower or its Subsidiaries with any Person to effect any of the transactions referred to in clauses (a), (b), (c) or (~~e~~d) above.

"Acquisition Documents" means the Hydrofarm Acquisition Agreement, and all other agreements, instruments, deeds, assignments, bills of sale, affidavits, certificates and closing statements executed and delivered by and/or to Holdings or a Borrower, as applicable, to effect the Hydrofarm Acquisition.

"Adjusted Consolidated EBITDA" means, for any Test Period, the sum of Consolidated EBITDA for such Test Period calculated on a Pro Forma Basis.

" Administrative Agent" means Brightwood Loan Services LLC, as Administrative Agent for the Lenders, or any successor Administrative Agent hereunder.

" Administrative Questionnaire" means an administrative questionnaire to be completed and provided to the Administrative Agent in form and substance as provided by the Administrative Agent.

"Affiliate" means, respect to a specified Person, (a) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, and (b) solely with respect to Sections 6.7, 8.8, 9.5, 9.9, 9.14 and 9 .18, any officer or director of such Person. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have correlative meanings. For purposes of this definition, a Person shall be deemed to Control another Person if the Controlling Person owns or controls directly or indirectly ten percent (10%) or more of the shares of stock, other Equity Interests or Equity Interests Equivalents or voting powers of the Controlled Person. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party or any of their respective Subsidiaries.

"Agreement" means this Credit Agreement as originally executed and as amended, modified or supplemented from time to time.

"Amendment No. 2 " means that certain Amendment No. 2 to Credit Agreement, dated as of November 8, 2017, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 2 Effective Date" has the meaning specified in Amendment No. 2.

"Amendment No. 3" means that certain Amendment No. 3 to Credit Agreement, dated as of August 24, 2018, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 3 Effective Date" has the meaning specified in Amendment No. 3.

"Amendment No. 4" means that certain Amendment No. 4 to Credit Agreement, dated as of March 15, 2019, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 4 Effective Date" has the meaning specified in Amendment No. 4.

"Amendment No. 5" means that certain Amendment No. 5 to Credit Agreement, dated as of July 11, 2019, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

"Amendment No. 5 Effective Date" has the meaning specified in Amendment No. 5.

" Applicable Margin" means (i) with respect to any period prior to the Amendment No. 3 Effective Date, (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans, (ii) with respect to any period on or after the Amendment No. 3 Effective Date but prior to the Covenant Change Date, (a) 10.00% per annum with respect to LIBOR Rate Loans, and (b) 9.00% per annum with respect to Base Rate Loans, and (iii) with respect to any period on or after the Covenant Change Date, (a) 8.50% per annum with respect to LIBOR Rate Loans, and (b) 7.50% per annum with respect to Base Rate Loans (provided, that, with respect to any fiscal quarter of the Borrowers on or after the Covenant Change Date (each, an "Applicable Period"), in the event that the Total Net Leverage Ratio as of the last day of the immediately prior fiscal quarter shall have been less than 5.50:1.00, then the "Applicable Margin" with respect to such Applicable Quarter shall be (a) 7.00% per annum with respect to LIBOR Rate Loans, and (b) 6.00% per annum with respect to Base Rate Loans).

"Approved Fund" means any Fund that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

"Asset Acquisition" means the acquisition by GSD of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business for a purchase price of $8,873,926 pursuant to and in accordance with the Asset Purchase Agreement.

"Asset Acquisition Earnout Amount" means the amount of the Earnout Obligations which are paid by a Loan Party or any Subsidiary of a Loan Party; provided that commencing on the first day of the month following the first full month after the payment of such Earnout Obligations and on the first day of each month thereafter, such amount shall be reduced by $1/12^{th}$ of the amount paid until reduced to $0.

"Asset Acquisition Earnout Obligations" means any obligation of any Subsidiary of Holdings to pay a deferred purchase price with respect to the Asset Acquisition pursuant to Section 2.6 of the Asset Purchase Agreement (as in effect on the Amendment No. 2 Effective Date).

"Asset Disposition" means any sale, lease, license, consignment, transfer or other disposition of Property by any Person, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

"Asset Purchase Agreement" means the asset purchase agreement dated October 20, 2017 among Greenstar Plant Products Inc., as vendor, GSD, as purchaser, and Hydrofarm, as guarantor.

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 9.9(b).

"Assumption Agreement" means that certain Borrower/Guarantor Assumption Agreement, dated as of the Closing Date, among Initial Borrower, Hydrofarm, WJCO, EHH, SunBlaster and the Administrative Agent.

"Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) the sum of (x) the LIBOR Rate calculated for each such day based on an Interest Period of one month determined two (2) Business Days prior to such day, plus (y) 1%. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the LIBOR Rate, as the case may be.

"Base Rate Loan" means any Term Loan accruing interest by reference to the Base Rate.

"BIA" means the Bankruptcy and Insolvency Act (Canada).

"Book Cash" means the amount on deposit in the Borrowers' bank accounts located in the United States and/or Canada, as applicable, that are subject to a control agreement to the extent required under Section ~~8.2(d)~~6.1 of the Revolving Loan Agreement, at 5:00 p.m. (Eastern Time) on any date of determination less (i) all checks that have been written or otherwise distributed but not yet cashed as of such date of determination and (ii) all automated clearing house transfers that have been initiated by the depository bank and not funded by the Borrowers, provided, that the amount of such cash shall have been reconciled to the books and records (including bank statements) of the Borrowers in a manner reasonably acceptable to the Administrative Agent.

"Borrower" means (a) at any time prior to the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Initial Borrower, and (b) upon and at any time after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, each of Hydrofarm, WJCO, EHH and SunBlaster.

"Borrower Agent" shall have the meaning set forth in Section 2.11.

"Brightwood" means Brightwood Loan Services LLC and any Affiliate thereof.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York, New York and, if such day relates to an event, a transaction or a notice in respect of a LIBOR Rate Loan, a day which is also a day on which dealings in U.S. Dollar deposits are carried out in the London interbank market.

"Call Premium" means (i) 2.0% during the period from the Closing Date through and including the first anniversary of the Closing Date, (ii) 1.0% during the period from and including the date after the first anniversary of the Closing Date through and including the date that is 18 months following the Closing Date and (iii) thereafter, 0%, in each case of the principal amount of the Term Loans prepaid in accordance with Sections 2.1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7) during such period.

"Canadian Acquisitions" means the Asset Acquisition and the Share Acquisition.

"Canadian Defined Benefit Pension Plan" means a Canadian Pension Plan which contains a "defined benefit provision" as defined in subsection 147.1(1) of the Income Tax Act (Canada).

"Canadian Employee Plan" means any employee benefit plan, policy, program, agreement or arrangement, including retirement, pension, profit sharing, employment, bonus or other incentive compensation, retention, stock purchase, equity or equity-based compensation, deferred compensation, change in control, severance, sick leave, vacation, loans, salary continuation, hospitalization, health, life insurance, educational assistance or other fringe benefit or perquisite plan, policy, agreement which is or was sponsored, maintained or contributed to by, or required to be contributed to by, a Canadian Subsidiary, or with respect to which a Canadian Subsidiary has, or could reasonably be expected to have, any obligation or liability, contingent or otherwise, but excluding the Canada Pension Plan, Quebec Pension Plan and any provincial or federal program providing health benefits, employment insurance or workers' compensation benefits.

"Canadian Multi-Employer Plan" means each multi-employer plan, within the meaning of the Regulations under the Income Tax Act (Canada).

" Canadian Pension Plan " means a "registered pension plan," as defined in the Income Tax Act (Canada) and any other pension plan maintained or contributed to by, or to which there is or may be an obligation to contribute by, any Canadian Subsidiary in respect of its Canadian employees or former employees, excluding, for greater certainty, a Canadian Multi-Employer Plan.

"Canadian Purchase Agreements" means the Share Purchase Agreement and the Asset Purchase Agreement.

"Canadian Subsidiary" means EWGS, Eddi, GSD, Sunblaster Canada and any other direct or indirect Subsidiary of Holdings or any Borrower that is organized under the laws of Canada or a province of Canada.

"Capital Expenditures" means (a) all expenditures made and capitalized by Holdings, the Loan Parties, and their Subsidiaries for property, plant, equipment, other fixed assets (including any such expenditures by way of Acquisition of a Person or by way of incurrence or assumption of Indebtedness or other obligations, to the extent reflected as plant, property, equipment or other fixed assets), research and development or other long-term assets, ~~but in each case excluding any portion of the purchase price paid with respect to any Permitted Acquisition~~ plus, (b) deposits made in anticipation of the purchase of such property, plant, equipment, other fixed assets, research and development or other long-term assets less such deposits previously included, less (c)(i) Net Cash Proceeds of Asset Dispositions received from Asset Dispositions permitted pursuant to Section 6.4 which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (ii) Net Cash Proceeds of property insurance policies received which (x) Holdings, the Loan Parties, and their Subsidiaries are permitted to reinvest pursuant to the terms of Section 2.1(g)(4) and (y) are included in expenditures made and capitalized pursuant to clause (a) above, (iii) capitalized trade-ins of equipment that is worn, damaged or obsolete with equipment of like function and value, and (iv) Capital Expenditures financed with the Net Cash Proceeds of common Equity Interests (that are Qualified Equity Interests) issued by Holdings.

"Capital Lease" means, with respect to any Person, a lease of (or other agreement conveying the right to use) real and/or personal property, which obligation is, or in accordance with GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) is required to be, classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligations" means, for any period for which the amount thereof is to be determined, any obligation of such Person to pay rent or other amounts under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Casualty Event" means any event that gives rise to the receipt by any Loan Party of any insurance proceeds (including business interruption insurance proceeds) or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon).

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.).

" Change in Law" means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, order, policy, rule, regulation or treaty, (b) any change in any law, order, policy, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd -Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control " means (a) Holdings ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in a Borrower or any other Loan Party; (b) Hydrofarm Holdings Group, Inc. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Hydrofarm Investment Corp.; (c) Hydrofarm Investment Corp. ceases to own and control, beneficially and of record, directly or indirectly, all of the Equity Interests in Holdings; (d) the Sponsor or any Co-Investor ceases to directly or indirectly own and control, beneficially and of record, Equity Interests of Hydrofarm Holdings Group, Inc. representing at least 50.1% of the voting power and at least 50.1% of the economic interest represented by the Equity Interests of Hydrofarm Holdings Group, Inc. held by Sponsor or such Co-Investor, respectively, ~~on the Amendment No. 4 Effective Date~~as of March 15, 2019; (e) the ~~Sponsor~~Control Group shall cease, for any reason, to have, collectively, the right or ability by voting power, contract or otherwise to, directly or indirectly, elect or designate for election a majority (in number and in voting power) of the members of the board of directors, board of managers or similar governing body of Hydrofarm Holdings Group, Inc.; (f) any "change of control" (or similar term) under the Revolving Loan Facility, the Revolving Loan Documents or any Subordinated Indebtedness, while outstanding, shall have occurred; or (g) Hydrofarm Holdings Group, Inc. shall become a direct or indirect Subsidiary of any Person.

"Closing Date" means May 12, 2017.

"Closing Equity Contribution " shall mean the contribution of cash by the Sponsor and Co-Investor to Holdings, together with the rollover of equity by certain holders of Equity Interests in the Acquired Company into Equity Interests of Holdings, on or prior to the Closing Date in exchange for the issuance to the Sponsor, the Co -Investor and such rollover investors of Qualified Equity Interests of Holdings in an aggregate amount equal to at least 40.0% of the sum of (i) total funded Indebtedness used to fund the Hydrofarm Acquisition and the Refinancing (including, without limitation the Term Loans and the initial borrowings of Revolving Loans under the Revolving Loan Documents on the Closing Date and (ii) the aggregate amount of equity contributions to Holdings hereinabove described.

"Co-Investor" means collectively, (i) Aaron Serruya, Michael Serruya, Simon Serruya, and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (ii) Serruya Private Equity and its Controlled Investment Affiliates, and (iii) BCM X3 Holdings, LLC and its Controlled Investment Affiliates.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all present and future assets and properties of the Borrowers and the Guarantors, whether real or personal, tangible or intangible, in which Liens are granted or purported to be granted pursuant to the Security Documents; provided, that Collateral shall not include any Excluded Assets.

~~**"Colorado Property" means that certain Real Property located at 4200 East 50th Avenue in Denver, Colorado.**~~

~~**"Colorado Property Sale-Leaseback" means any sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property.**~~

"Commitment" means, for each Lender, the aggregate amount of such Lender's commitment to fund Term Loans as set forth opposite of such Lender's name under the heading "Commitment" on **Schedule I** or as set forth in an Assignment and Assumption Agreement delivered pursuant to Section 9.9(b), as such amount may be modified from time to time pursuant to the terms hereof.

" Commodity Exchange Act " means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate in substantially the form set forth as **Exhibit E**, completed and signed by a Responsible Officer of the Borrower Agent.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Amortization Expense" means the amount of amortization expense deducted in determining Consolidated Net Income.

"Consolidated Depreciation Expense" means the amount of depreciation expense deducted in determining Consolidated Net Income.

"Consolidated EBITDA" means, for any period for which the amount thereof is to be determined, an amount equal to Consolidated Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Expense for such period,

(ii) Consolidated Amortization Expense during such period,

(iii) Consolidated Depreciation Expense during such period,

(iv) Consolidated Tax Expenses paid or accrued during such period and, without duplication, the amount of any Tax Distributions made in cash during such period,

(v) ~~non-recurring fees and expenses paid in cash in connection with Hydrofarm Acquisition, this Agreement, the Loan Documents and the Revolving Loan Facility, in an aggregate amount (for all periods in the aggregate) not to exceed $6,000,000,(vi)~~ any non-cash losses arising from the sale of capital assets during such period,

(~~vii) the aggregate amount of all Permitted Management Fees paid or accrued with respect to such period prior to the Amendment No. 3 Effective Date,~~ (~~viii~~ vi) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory),

(~~ix) transaction fees, costs, and expenses incurred in such period in connection with Permitted Acquisitions (whether or not consummated) in an aggregate amount not to exceed (x) $750,000 in any twelve month period that includes the Amendment No. 2 Effective Date and (y) $500,000 in any twelve month period that does not include the Amendment No. 2 Effective Date,(x~~ vii) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption,

~~(xi) non-recurring costs and expenses incurred between the Closing Date and the second anniversary thereof in connection with the integration and implementation of streamlining and efficiency strategies; provided, that, (i) the anticipated cost saving benefits of such costs and expenses are (x) reasonably identifiable, factually supportable and certified in writing by a Responsible Officer of the Borrower Agent, and (y) reasonably expected by the Borrowers to be realized within 12 months following such operational initiative, and (ii) the aggregate amount of such costs and expenses do not exceed $2,500,000 (for all periods in the aggregate),(xii~~viii) other non -recurring fees and expenses approved by Administrative Agent in its Permitted Discretion so long as, and only to the extent that, such other non-recurring fees and expenses are similarly being added to "EBITDA" under the Revolving Loan Agreement pursuant to clause (a)(~~xii~~viii) of the definition of "EBITDA" set forth in the Revolving Loan Agreement,

~~(xiii) (w) fees, costs and expenses incurred in such period in connection with the Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018 (the "Forbearance Agreement"), among the Borrowers, the Administrative Agent and the Lenders, the Revolving Loan Forbearance Agreement (as defined in the Forbearance Agreement) and the actions contemplated thereby, including without limitation forbearance fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals,~~ ix) (x) fees, costs and expenses incurred in such period in connection with Amendment No. 3, including without limitation amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals, **and** (y~~) fees, costs and expenses incurred solely in connection with this Amendment and the Fourth Amendment to Revolving Loan Agreement, including amendment fees, legal fees and expenses, fees and expenses paid to consultants, accountants and other professionals; provided, that such amount (together with the amounts under clause (z) below) shall not exceed the aggregate amount of $2,000,000, and (z~~) the amount of business restructuring charges and fees, costs and expenses incurred between January 1, 2019 and December 31, 2019; provided, that such amount ~~(together with the amounts under clause (y) above)~~ shall not exceed $2,000,000 in the aggregate,

(x) non-recurring fees, costs and expenses incurred in such period in connection with Amendment No. 5 and the Revolving Loan Facility, including without limitation legal fees and expenses, and fees and expenses paid to consultants, accountants and other professionals.

and minus, (b) to the extent included in Consolidated Net Income for such period and without duplication

(i) any non-cash gains arising from the sale of capital assets during such period,

(ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and

(iii) any non-cash extraordinary gains during such period.

"Consolidated Fixed Charges" means, for any period for which the amount thereof is to be determined, the sum, without duplication of (a) Consolidated Interest Expense (other than payment-in-kind interest expense), and (b) the principal amount of all scheduled principal payments made on Indebtedness (other than Revolving Loans and payments in respect of the HHG Note) of Holdings, the Borrowers and their Subsidiaries, in each case, for such period.

~~**Notwithstanding the foregoing, the Consolidated Fixed Charges for the fiscal quarters ended March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 shall be the amounts set forth under the heading "Consolidated Fixed Charges" on Schedule 1.1.**~~

"Consolidated Interest Expense" means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any fiscal period, the consolidated net income (or loss) of Holdings, the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, a Borrower or any of their Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of their Subsidiaries from such Person during such period,

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of their Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of their Subsidiaries,

(c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and

(d) the cumulative effect of a change in accounting principles.

"Consolidated Tax Expenses" means federal, state, provincial and local income tax expenses of Holdings, the Borrowers and their Subsidiaries.

"Contingent Obligation" means any obligation of a Person arising from a guaranty, indemnity or other assurance of payment or performance of any Indebtedness, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person under any (a) guaranty, endorsement, co- making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of nonperformance by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase Property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or, if less, the maximum amount for which such Person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

"Control Group" means (i) Hawthorn Equity Partners and its Controlled Investment Affiliates, (ii) Broadband Capital Investments and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (vi) Peter Wardenburg and his Controlled Investment Affiliates and (vii) any shareholders of any of the individuals or entities in (i) through (vi) that have designated their voting rights to such individual or entity.

"Controlled Investment Affiliate" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Conversion" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Covenant Change Date" means the first date occurring on or after January 1, 2020 on which (i) the interest payable in respect of the Term Loans hereunder shall be payable 100% in cash on such date in accordance with the last sentence of Section 2.1(e)(3), and (ii) the Borrowers shall be obligated to pay the Restricted Amortization Payments in cash on such date in accordance with the proviso to Section 2.1(d)(1).

"Credit Loan" means, individually or collectively, a Base Rate Loan or a LIBOR Rate Loan.

"Cumulative EBITDA" means, as of any date, the cumulative Adjusted Consolidated EBITDA for the Test Period ending on the last day of the most recently ended calendar month ended on or prior to such date.

"Debt Issuance" means the issuance by any Loan Party or any of their Subsidiaries of any Indebtedness.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States of America or other applicable jurisdictions from time to time in effect.

"Default" means any Event of Default and any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Default Interest" shall have the meaning set forth in Section 2.1(e)(2).

"Default Rate" means a simple interest rate per annum equal to the sum of the otherwise then applicable interest rate plus two percent (2%). With respect to amounts bearing interest at the Default Rate, for purposes of the foregoing sentence, the words "otherwise then applicable interest rate" shall be deemed to mean the Base Rate plus the Applicable Margin with respect to Base Rate Loans or the LIBOR Rate plus the Applicable Margin with respect to LIBOR Rate Loans, as applicable.

"Defaulting Lender" means, subject to Section 2. 9(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Term Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower Agent in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, (b) has notified the Borrower Agent or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower Agent, to confirm in writing to the Administrative Agent and the Borrower Agent that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower Agent), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.9(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower Agent and each Lender promptly following such determination.

"Disqualified Equity Interests" means any Equity Interest that, by its terms (or by the terms of any Equity Interests or Equity Interests Equivalent into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition,

(a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Term Loans and all other Obligations that are accrued and payable),

(b) provides for the scheduled payments of dividends in cash,

(c) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests of the applicable Person and except as permitted by clause (a) above), in whole or in part, or

(d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests or Equity Interests Equivalents that would constitute Disqualified Equity Interests, in the case of each of clauses (a), (b), (c) and (d) hereof, prior to the date that is 180 days after the Maturity Date at the time of issuance;

provided that if such Equity Interests or Equity Interests Equivalents are issued pursuant to a plan for the benefit of future, current or former employees, directors, or officers of Holdings, a Borrower or its Subsidiaries or by any such plan to such employees, directors or officers, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by Holdings, a Borrower or any Subsidiary in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's, director's or officer's termination, death or disability.

"Division" in reference to any Person which is an entity, means the division of such Person into two (2) or more separate Persons, with the dividing Person either continuing or terminating its existence as part of such division, including as contemplated under Section 18-217 of the Delaware Limited Liability Act for limited liability companies formed under Delaware law, or any analogous action taken pursuant to any other applicable law with respect to any corporation, limited liability company, partnership or other entity. The word "Divide" when capitalized, shall have a correlative meaning.

"Dollars" or "$" means the basic unit of the lawful currency of the United States of America.

"ECF Liquidity" means, as of any date of determination, (i) the aggregate amount of cash and cash equivalents on hand of Holdings, the Borrowers and their Subsidiaries as of such date plus (ii) the "Excess Availability" (as defined in the Revolving Loan Documents) as of such date.

"ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"ECP Rules" means the final rules issued jointly by the Commodity Futures Trading Commission and the Securities and Exchange Commission as published in 77 FR 30596 (May 23, 2012), as may amended, modified or replaced from time to time.

"Eddi" means Eddi's Wholesale Garden Supplies Ltd, a British Columbia company.

"Eligible Assignee" means any Person (other than a natural person) that meets the requirements to be an assignee under Section 9.9 (subject to such consents, if any, as may be required under Section 9.9(b)); provided, that, no Defaulting Lender shall be an Eligible Assignee

"Environmental Laws" means any applicable Laws (including programs, permits and guidance promulgated by regulators) relating to public health (other than occupational safety and health regulated by the Occupational Safety and Hazard Act of 1970) or the protection or pollution of the environment, including CERCLA, the Resource Conservation and Recovery Act and the Clean Water Act and any similar Laws of any foreign jurisdiction.

"Environmental Notice" means a notice (whether written or oral) from any Governmental Authority or other Person of any possible noncompliance with, investigation of a possible violation of, litigation relating to, or potential fine or liability under any Environmental Law, or with respect to any Environmental Release, environmental pollution or hazardous materials, including any complaint, summons, citation, order, claim, demand or request for correction, remediation or otherwise.

"Environmental Release" means a release as defined in CERCLA or under any other Environmental Law.

"Equity Cure Contribution" has the meaning set forth in Section 6.1(e).

" Equity Interests" means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial, partnership or membership interests, joint venture interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Equity Interests Equivalents" means all securities convertible into or exchangeable for Equity Interests and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any Equity Interests, whether or not presently convertible, exchangeable or exercisable.

"Equity Issuance" means any sale or issuance of any Equity Interests or Equity Interests Equivalents of a Borrower or any direct or indirect parent of a Borrower or the contribution to the capital of a Borrower or any direct or indirect parent of a Borrower, in each case, the proceeds of which are contributed to the common equity of a Borrower or any of its Subsidiaries.

"Equity Prepay Expiration Date" means the 30th day following the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations promulgated and rulings issued thereunder and under the Code, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" means any Person, including Affiliates or Subsidiaries of the Loan Parties, that is a member of any group of organizations or a controlled group of trades or businesses, as described in Sections 414(b), 414(c), 414(m) or 414(o) of the Code or Section 4001 of ERISA, of which any of the Loan Parties or any of their respective Subsidiaries is a member.

"ERISA Event" means any of (a) a Reportable Event with respect to a Pension Plan, (b) a withdrawal of a Loan Party or ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, (c) a complete or partial withdrawal by any Loan Party or ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization, (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the institution of proceedings by the PBGC to terminate a Pension Plan, (e) the determination that any Pension Plan is considered an at-risk plan or a plan in critical or endangered status under the Code or ERISA, (f) an event or condition that constitutes grounds under Section 4042 of ERISA for termination of, or appointment of a trustee to administer, any Pension Plan, (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Loan Party or ERISA Affiliate, or (h) the failure by any Loan Party or ERISA Affiliate to meet all applicable requirements under the Pension Funding Rules in respect of a Pension Plan, whether or not waived, or to make a required contribution to a Multiemployer Plan.

"Event of Default" means any Event of Default described in Article VII.

"EWGS" means EWGS Distribution Inc., a British Columbia company.

"Excess Cash Flow" means, for any Excess Cash Flow Period, without duplication:

(a) the sum, without duplication, of:

(i) Consolidated EBITDA for such Excess Cash Flow Period;

(ii) the decrease, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period; and

(iii) to the extent not otherwise provided in this clause (a), any other cash receipts received by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period;

(b) minus, the sum, without duplication, of:

(i) the amount of any Consolidated Tax Expense paid or payable by the Borrowers and their Subsidiaries in cash with respect to such Excess Cash Flow Period and the amount of any Tax Distributions made in cash with respect to such Excess Cash Flow Period;

(ii) Consolidated Interest Expense for such Excess Cash Flow Period;

(iii) the increase, if any, in the Net Working Capital from the beginning to the end of such Excess Cash Flow Period;

(iv) cash used for Capital Expenditures ~~and Permitted Acquisitions (including with respect to fees and expenses and, with respect to any Permitted Acquisition, cash consideration that is payable upon the closing of such Permitted Acquisition pursuant to any letter of intent or definitive purchase agreement with respect to such Permitted Acquisition to which a Borrower or any of its Subsidiaries is a party), in each case~~ to the extent financed with Internally Generated Funds;

(v) the aggregate amount of all scheduled amortization payments of Indebtedness of the Borrowers and their Subsidiaries to the extent funded with Internally Generated Funds;

~~(vi) Permitted Management Fees and Restricted Payments pursuant to Sections 6.10(b)(i) and 6.10(b)(iii), in each case, paid in cash in accordance with the Loan Documents during such Excess Cash Flow Period;~~

(vi) ~~(vii)~~ to the extent paid in cash, the add-backs in clauses (a)(~~v~~vii), (a)(~~ix), (a)(x), (a)(xi~~viii) and (a)(~~xii~~xiv) of the definition of Consolidated EBITDA; and

(vii) ~~(viii)~~ to the extent not already deducted in calculating Consolidated EBITDA and not otherwise provided in this clause (b), any other cash expenses paid by Holdings, the Loan Parties or any of their Subsidiaries during such Excess Cash Flow Period.

"Excess Cash Flow Period" means each subsequent fiscal year of the Borrowers commencing with the fiscal year ending on December 31, 2020. For the avoidance of doubt, with respect to any mandatory prepayment under Section 2.1(g)(3), the applicable Excess Cash Flow Period shall be the mostly recently ended Excess Cash Flow Period ending prior to the date of such mandatory prepayment.

"Excluded Accounts" means, with respect to any Loan Party, any deposit account used solely for

(i) payroll and accrued payroll expenses, (ii) tax payments, (iii) employee benefit accounts and/or (iv) petty cash and other accounts in the aggregate not exceeding $100,000 for all such accounts.

"Excluded Assets" means (i) any Excluded Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by a Loan Party of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest, (iii) any Equity Interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of a Loan Party, (y) that the granting of a Lien therein is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Loan Parties in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar Equity Interests of such Foreign Subsidiary which are entitled to vote, (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code or any other applicable law or principles of equity, (v) upon the written consent of the Administrative Agent, any Equity Interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of a Loan Party, if the terms of the Organic Documents of such pledged entity do not permit the grant of a security interest in such Equity Interests by the owner thereof or the applicable Loan Party has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Organic Documents, and (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by the Administrative Agent in its sole discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents), ~~**(vii) any Excluded Real Property**~~; provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the Uniform Commercial Code (including Sections 9-406, 9-407 and 9- 408 thereof) or other applicable law (including any Debtor Relief Law) or principles of equity, (b) so as to limit, impair or otherwise affect the Administrative Agent's unconditional continuing Liens upon any rights or interests of any Loan Party in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any accounts receivable), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

~~**"Excluded Real Property" means any Real Property acquired by a Loan Party after the Closing Date with an individual value less than $1,000,000.**~~

"Excluded Swap Obligation" means, with respect to a Borrower, any Affiliate of a Borrower or a Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Borrower, such Affiliate or such Guarantor of, or the grant by such Borrower, such Affiliate or such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Borrower's, such Affiliate's or such Guarantor's failure for any reason not to constitute an "Eligible Contract Participant" as defined in Section 1a(18) of the Commodity Exchange Act (and the regulations thereunder), as further defined and modified by the ECP Rules (determined after giving effect to Section 9.20 and any other keepwell, support or other agreement for the benefit of such Borrower, such Affiliate or such Guarantor and any and all Guarantees of such Borrower's, such Affiliate's or such Guarantor's Swap Obligations by any other Borrower, Affiliate or the Guarantor), at the time the applicable Swap Obligation was entered into and at such other relevant time as provided in the ECP Rules or any other applicable law and to the extent that the providing of such Guarantee or the granting of such security interest by such Borrower, such Affiliate or such Guarantor would violate the ECP Rules or any other applicable law. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guarantee or Lien is or becomes excluded in accordance with the first sentence of this definition.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Term Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Term Loan or Commitment (other than pursuant to an assignment request by the Borrower Agent under Section 9.19), or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 10.1(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 10.1(e) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Extraordinary Receipts" means any cash received by or paid to or for the account of any Loan Party or any of their Subsidiaries not in the ordinary course of business (and not consisting of proceeds described in any of clause (4), (5) or (6) of Section 2.1(g)), including without limitation tax refunds, insurance proceeds, indemnification payments (other than such indemnification payments to the extent that the amounts so received are applied by a Loan Party or its Subsidiary, as applicable, or are reimbursement or payment on behalf of a Loan Party or its Subsidiary, as applicable, for costs incurred for the purpose of replacing, repairing or restoring any assets or properties of a Loan Party or its Subsidiary or reimbursement for settlement costs, thereby satisfying the condition giving rise to the claim for indemnification, or reimbursement or indemnification for costs, or otherwise covering losses arising as a result of the circumstances giving rise to the underlying claims, or any out-of-pocket expenses incurred by any Loan Party or any of their Subsidiaries in obtaining such payments or the payment of taxes arising thereunder) and purchase price adjustments (other than working capital and other similar adjustments) made pursuant to the Hydrofarm Acquisition~~,~~ or any Canadian ~~**Acquisition or any other Permitted**~~ Acquisition; provided, that Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than $350,000.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any intergovernmental agreement and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code.

"FCCR Covenant Date" means ~~**the earlier of (i) January 1, 2020 and (ii) the date on which any Loan Party requests, in accordance with the Revolving Loan Agreement, that the covenant set forth in Section 10.3(b) of the Revolving Loan Agreement be tested in accordance with the Revolving Loan Agreement.**~~January 1, 2020.

"Federal Funds Effective Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing reasonably selected by it.

"Fee Letter" means that certain fee letter, dated as of April 10, 2017, among (x) the Initial Borrower, (y) immediately after giving effect to the Hydrofarm Acquisition and execution and delivery of the Assumption Agreement, Hydrofarm, WJCO, EHH and SunBlaster and (z) the Administrative Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for payment of the fees described therein.

"Financial Covenants" means (i) at all times on or prior to December 31, 2019, the covenants, agreements and obligations set forth in Sections 6.1(c) and 6 .1(d), (ii) at all times on or after the FCCR Covenant Date, the covenants, agreements and obligations set forth in Section 6.1(b), and (iii) at all times on or after January 1, 2020, the covenants, agreements and obligations set forth in Sections 6.1(a).

" Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio, determined for the most recent twelve consecutive calendar months ending on or prior to such date of determination (subject to the immediately following sentence) of: (a) Consolidated EBITDA for such period minus (i) all Capital Expenditures for such period (other than Capital Expenditures funded or financed with any Indebtedness other than Revolving Loans), minus (ii) all cash payments in respect of Consolidated Tax Expenses and, without duplication, Tax Distributions during such period, minus (iii) all Restricted Payments made in cash during such period, minus (iv ~~) all Permitted Management Fees paid in cash pursuant to the Management Agreements during such period, minus (v~~) the Asset Acquisition Earnout Amount; to (b) Consolidated Fixed Charges for such period.

"Flood Insurance Laws" collectively, (i) National Flood Insurance Reform Act of 1994 (which comprehensively revised the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973) as now or hereafter in effect or any successor statute thereto, (ii) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto and (iii) the Biggert-Waters Flood Insurance Reform Act of 2012 as now or hereafter in effect or any successor statute thereto.

"Foreign Lender" means, with respect to any Borrower (a) if such Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Plan" means any employee benefit plan or arrangement (a) maintained or contributed to by any Loan Party or Subsidiary that is not subject to the laws of the United States or Canada, or (b) mandated by a government other than the United States or Canada for employees of any Loan Party or Subsidiary.

"Foreign Subsidiary" means, with respect to any Person, a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

"FSCO" means the Financial Services Commission of Ontario or like body in Canada or in any other province or territory or jurisdiction of Canada with whom a Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered in accordance with Law and any other Governmental Authority succeeding to the functions thereof.

"Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time; provided, that no change in the accounting principles used in the preparation of any financial statement hereafter adopted by a Borrower or any other Loan Party shall be given effect for purposes of measuring compliance with any provision of this Agreement unless the Borrower Agent, Administrative Agent and the Required Lenders agree to modify such provisions to reflect such changes in GAAP and, unless such provisions are modified, all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP; provided, further that no effect shall be given to any change in GAAP that would require leases of the type classified as operating leases under GAAP as in effect on the Closing Date to be classified or reclassified as capitalized leases. Notwithstanding the foregoing, pursuant to Section 5.6, books and records shall be kept in accordance with GAAP commencing July 1, 2017. All references in this Agreement to "in accordance with GAAP" for any time preceding July 1, 2017 shall be deemed to be "on a tax basis".

"Governmental Authority" means any federal, provincial, state, local, municipal, foreign or other agency, authority, body, commission, board, bureau, court, tribunal, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority or a province or territory thereof or a foreign entity or government (including the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or the European Central Bank).

"GSD" means GS Distribution Inc., a British Columbia company.

"Guarantee(s)" means all direct and indirect guarantees, sales with recourse, endorsements (other than for collection or deposit in the ordinary course of business) and other obligations (contingent or otherwise, including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) by any Person to pay, purchase, repurchase or otherwise acquire or become liable upon or in respect of any Indebtedness, liability or other obligation of any other Person, and, without limiting the generality of the foregoing, all obligations (contingent or otherwise) by any Person to purchase products, supplies or other property or services for any Person under agreements requiring payment therefor regardless of the non-delivery or non-furnishing thereof, or to make investments in any other Person, or to maintain the capital, working capital, solvency or general financial conditions of any other Person, or to indemnify any other Person against and hold him harmless from damages, losses and liabilities, all under circumstances intended to enable such other Person or Persons to discharge any Indebtedness or to comply with agreements relating to such Indebtedness or otherwise to assure or protect creditors against loss in respect of such Indebtedness. The amount of any Guarantee shall be deemed to be the amount of the Indebtedness of, or damages, losses or liabilities of, the other Person or Persons in connection with which the Guarantee is made or to which it is related unless the obligations under the Guarantee are limited to a determinable amount, in which case the amount of such Guarantee shall be deemed to be such determinable amount. The term "Guarantee" as a verb has a corresponding meaning. For the avoidance of doubt, the keepwell provided by a Borrower, any Affiliate of Borrower or any Guarantor in Section 9.20 shall constitute a Guarantee.

"Guarantor(s)" means, collectively, (i) Holdings, (ii) any Subsidiary that becomes a Guarantor in accordance with Section 5.9, and (iii) any other Person who executes and delivers a Guaranty of the Obligations, jointly and severally.

"Guaranty" means, individually or collectively, as the case may be, the Guaranty made by the Guarantors in favor of Administrative Agent for the benefit of the Secured Parties in form substantially as attached hereto as **Exhibit B**.

"HHG Note" means the Subordinated Unsecured Promissory Note, dated as of the Amendment No. 5 Effective Date, in an original principal amount not to exceed $ 2,500,000 issued by Holdings to Hydrofarm Holdings Group, Inc., as such HHG Note may be amended, restated and increased from time to time in accordance with this Agreement and the HHG Subordination Agreement.

"HHG Subordination Agreement" means the Subordination Agreement, dated as of the Amendment No. 5 Effective Date, by and among the Administrative Agent, Hydrofarm Holdings Group, Inc., the Borrowers and the Loan Parties.

"Historical Financial Statements" means reviewed financial statements of Hydrofarm, Inc. for the fiscal year ending December 31, 2015, unaudited financial statements of Hydrofarm, Inc for the fiscal year ending December 31, 2016 and unaudited financial statements of Hydrofarm, Inc. for the two months ending February 28, 2017.

"Holdings" means Hydrofarm Holdings LLC, a Delaware limited liability company.

"Hydrofarm" means Hydrofarm, LLC, a California limited liability company, which is the successor to Hydrofarm, Inc., a California corporation, as a result of the Reorganization and the Conversion.

"Hydrofarm Acquisition" means the Acquisition by Holdings of all of the Equity Interests of Hydrofarm on the date hereof pursuant to and in accordance with the Hydrofarm Acquisition Agreement.

"Hydrofarm Acquisition Agreement" means that certain Securities Purchase Agreement dated as of April 10, 2017 by and among Holdings, Hydrofarm, Hydrofarm, Inc. Employee Stock Ownership Plan and Trust and the Wardenburg 2009 Family Trust, as the same may be amended, supplemented and otherwise modified from time to time in accordance with the terms hereof.

"Impacted Loans" has the meaning set forth in Section 10.3(b).

"Indebtedness" means, as to any Person at a particular time, without duplication, the following:

(a) all obligations or liabilities, contingent or otherwise, of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments and all obligations of such Person on which interest charges are customarily paid, (b) the maximum amount (after giving effect to any prior drawings or reductions that may have been reimbursed) of all letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person, (c) net obligations of such Person under any Swap Contract, (d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts and accrued expenses payable in the ordinary course of business and (A) not overdue by more than 90 days or (B) to the extent overdue by more than 90 days (but not more than 270 days) are being Properly Contested, (ii) any earn- out obligation to the extent such obligation is not required to be reflected on such Person's balance sheet in accordance with GAAP, (iii) accruals for payroll and other liabilities accrued in the ordinary course of business), (e) indebtedness in respect of the foregoing (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, (f) all Capital Lease Obligations, (g) all obligations of such Person in respect of Disqualified Equity Interests, (h) the principal balance of synthetic leases or other off-balance sheet financing arrangements, (i) all Contingent Obligations of such Person, and (j) all Guarantees, endorsements (other than for collection in the ordinary course of business) and other continent obligations of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, except to the extent such Person's liability for such Indebtedness is otherwise limited and only to the extent such Indebtedness would be included in the calculation of consolidated Indebtedness. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) (to the extent that such Indebtedness is non recourse to such Person for amounts in excess of the value of the property securing such Indebtedness) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value (as determined by such Person in good faith) of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Parties" has the meaning specified in Section 9.5.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Borrower or Guarantor under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Initial Borrower" has the meaning specified in the preamble to this Agreement.

"Initial ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Insolvency Proceeding" means any voluntary or involuntary case or proceeding commenced by or against a Person under any state, federal, provincial or foreign law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code of the United States of America, or any other insolvency, debtor relief or debt adjustment or arrangement law, including the BIA, the Companies' Creditors Arrangement Act (Canada) and the Winding-up and Restructuring Act (Canada), (b) the appointment of a receiver, interim receiver, monitor, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property, or (c) an assignment or trust mortgage for the benefit of creditors.

"Intellectual Property" means (i) all intellectual and similar Property of a Person, including inventions, designs, industrial designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases, (ii) all embodiments or fixations thereof and all related documentation, applications, registrations and franchises, (iii) all licenses or other rights to use any of the foregoing, and (iv) all books and records relating to the foregoing.

"Intellectual Property Claim" means any claim or assertion (whether in writing, by suit or otherwise) that a Loan Party's or Subsidiary's ownership, use, marketing, sale or distribution of any inventory, equipment, Intellectual Property or other Property violates another Person's Intellectual Property.

"Intercreditor Agreement" means that certain ~~**Amended and Restated**~~ Intercreditor Agreement, dated as of ~~**November 8, 2017,**~~the Amendment No. 5 Effective Date, between the Revolving Loan Agent and the Administrative Agent, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

"Interest Payment Date" has the meaning set forth in Section 2.1(e)(3)(C).

"Interest Period" means with respect to any LIBOR Rate Loan, the period commencing on the date the relevant Term Loan is made and ending on the date which is one (1), two (2) or three (3) months thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the date the relevant Term Loan is made and each subsequent one (1), two (2) or three (3) month period thereafter, as selected by the Borrower Agent by irrevocable written notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto. For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding date in the next calendar month. Notwithstanding the foregoing, however, (i) any applicable Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any applicable Interest Period which begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period is to end shall (subject to clause (i) above) end on the last day of such calendar month, and (iii) no Interest Period shall extend beyond the Maturity Date or such earlier date as would interfere with the Borrowers' repayment obligations hereunder. There shall not be more than five (5) different Interest Periods with respect to LIBOR Rate Loans hereunder at any one time.

"Internally Generated Funds" means funds not constituting the proceeds of any Indebtedness, Debt Issuance, Equity Issuance, Asset Disposition or Casualty Event (in each case, without regard to the exclusions from the definitions thereof).

"Investment" means, with respect to any Person, any loan, advance or extension of credit (other than to customers in the ordinary course of business) by such Person to, or any Guarantee or other contingent liability with respect to the capital stock, Indebtedness or other obligations of, or any contributions to the capital of, any other Person, or any ownership, purchase or other acquisition by such Person of any interest in any capital stock, limited partnership interest, general partnership interest, or other securities of any such other Person, other than an Acquisition; and "Invest," "Investing" or "Invested" means the making of an Investment.

"IRS" means the United States Internal Revenue Service.

"Knowledge" of the Loan Parties means the actual knowledge of any Responsible Officer of any Loan Party.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each Person that has a Commitment or holds an outstanding Term Loan, from time to time. As of the Closing Date, the "Lenders" consist of the Persons set forth on **Schedule I**.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower Agent and the Administrative Agent.

"LIBOR Rate" means, for any Interest Period with respect to any LIBOR Rate Loan, the greater of (a) the offered rate per annum for deposits of dollars for the applicable Interest Period (as defined below) that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day in each Interest Period and (b) the offered rate per annum for deposits of dollars for an Interest Period of 3 months that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) 2 Business Days prior to the first day of the applicable Interest Period. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Lenders at which deposits of dollars in immediately available funds are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination; provided, that if no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Administrative Agent at which deposits of dollars in immediately available funds with a term equal to three months are offered at 11:00 A.M. (London, England time) 2 Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to the Lenders in the London interbank market for such Interest Period for the applicable principal amount on such date of determination.

"LIBOR Rate Loan" means a Term Loan accruing interest at the LIBOR Rate.

"License" means any license or agreement under which a Loan Party is authorized to use Intellectual Property in connection with any manufacture, marketing, distribution or disposition of Collateral, any use of Property or any other conduct of its business.

"Lien" means, with respect to any interest in Property (whether real, personal or mixed and whether tangible or intangible) (a) any interest or right which secures the payment of Indebtedness or an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest is based on common law, statute or contract, and whether or not choate, vested or perfected, including any such interest or right arising from a mortgage, charge, pledge, negative pledge or other agreement not to lien or pledge, assignments, security interest, conditional sale, levy, execution, seizure, attachment, garnishment, conditional sale, Capital Lease or trust receipt, or arising from a lease, consignment or bailment given for security purposes, and (b) any exception to or defect in the title to or ownership interest in such Property, including reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way, restrictive covenants, leases and licenses. For purposes of this Agreement, a Borrower or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Liquidity" means, as of any date of determination, (i) the cash-on-hand of the Borrowers and their Subsidiaries plus (ii) the "Excess Availability" (as defined in the Revolving Loan Documents) as of such date.

"Loan Document(s)" means, individually or collectively, as the case may be, this Agreement, the Fee Letter, any Notes, the Guaranty, the Assumption Agreement, each Security Document, the Intercreditor Agreement and all other documents, agreements and certificates executed or delivered in connection with or contemplated by this Agreement or any other document evidencing or securing a Term Loan, each as may be amended, modified or supplemented from time to time.

"Loan Party" means each Borrower and each Guarantor.

"Major Asset Disposition" means a sale, transfer or other disposition of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions.

"Management Agreements" means, collectively, the (a) Management Agreement dated the Closing Date between Hawthorn Equity Partners, Inc. and Holdings, and (b) Management Agreement dated the Closing Date between JAMS Holdings LLC and Holdings, in each case, as the same may be amended, modified, supplemented and/or restated to the extent permitted under this Agreement.

"Managers" means, collectively, Hawthorn Equity Partners, Inc. and JAMS International LLC.

"Master Agreement" has the meaning set forth in the definition of Swap Contract.

"Material Adverse Effect" means the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, (a) has or could be reasonably expected to have a material adverse effect on the business, operations, Properties, or financial condition of any Loan Party, on the value of any material Collateral, on the enforceability of any Loan Documents, or on the validity or priority of the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on any Collateral, (b) impairs the ability of a Loan Party to perform its obligations under the Loan Documents, including repayment of any Obligations, or (c) otherwise impairs the ability of the Administrative Agent or any Lender to enforce or collect any Obligations or to realize upon any Term Loan Priority Collateral or any other material Collateral.

"Material Contract" means, other than the Hydrofarm Acquisition Agreement, the Canadian Purchase Agreements and the Loan Documents, any agreement or arrangement to which Holdings, any Loan Party or any of their Subsidiaries is party (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933, (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect, or (c) that relates to either (x) Subordinated Indebtedness or (y) Indebtedness, in the case of this clause (y), in an aggregate amount of $~~1,000,000~~500,000 or more.

"Maturity Date" means May 12, 2022.

"Moody's" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which a Loan Party or ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Cash Proceeds" means:

(a) with respect to any Asset Disposition, issuance of Equity Interests, receipt of Extraordinary Receipts or Casualty Event by or of a Borrower or any Subsidiary, the cash proceeds (including, when received, any deferred or escrowed payments) as and when received by a Loan Party or Subsidiary in cash from such disposition and/or such receipt (as applicable) (including cash proceeds received pursuant to policies of insurance (including business interruption insurance)), net of (i) reasonable and customary costs and expenses actually incurred in connection therewith, including legal, accounting and investment banking fees and sales commissions, (ii) amounts applied to repayment of Indebtedness secured by a Permitted Lien senior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties on Collateral sold (with respect to an Asset Disposition), (iii) transfer or similar taxes paid (together with any Tax Distributions made to pay any such transfer or similar taxes) as a result of any applicable Asset Disposition, and (iv) reasonable and customary reserves for indemnities in connection with any applicable Asset Disposition, until such reserves are no longer needed; and (b) with respect to any issuance of debt securities or other incurrence of Indebtedness (other than Indebtedness incurred in accordance with Section 6.2), the aggregate cash proceeds received by Holdings, a Borrower or any Subsidiary pursuant to such issuance or receipt, net of the reasonable and customary direct costs paid as a result thereof relating to such issuance.

"Net Working Capital" means the total current assets (excluding cash and cash equivalents) of the Borrowers and their Subsidiaries minus the total current liabilities (excluding current portion of any Indebtedness under this Agreement and the current portion of any other long-term Indebtedness which would otherwise be included therein (including Capital Lease Obligations), current interest and current taxes) of the Borrowers and their Subsidiaries, determined in accordance with GAAP.

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 9.1 and (b) has been approved by the Required Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Note(s)" means, individually or collectively, as the case may be, (a) the Notes (as defined in Section 2.1(a)), and (b) such other promissory notes accepted by the Lenders in exchange for or in substitution of any such Notes.

"Notice of Borrowing" means the notice in the form of **Exhibit C** attached hereto to be delivered to the Administrative Agent pursuant to Section 2 .1 or such other form as may be reasonably approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer of the Borrower Agent.

"Obligations" means (i) all Term Loans, debts, liabilities, payment and performance obligations, covenants and duties of every kind, nature and description owing by the Borrowers or the Guarantors to the Administrative Agent, the Lenders or any Lender of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether direct or indirect (including those acquired by permitted assignment or participation), absolute or contingent, liquidated or unliquidated, due or to become due, now existing or hereafter arising and however acquired, and (ii) all Rate Hedging Obligations owing at any time or from time to time by the Borrowers or the Guarantors, or any of them, to the Lenders, any Lender or any Affiliate of any Lender (excluding, as to any Borrower or Guarantor, any Excluded Swap Obligations). The term includes all principal, interest, fees, charges, expenses, reasonable attorneys' fees, and any other sum chargeable (including interest that would accrue during the pendency of any proceeding under Debtor Relief Laws, regardless of whether allowed or allowable in such proceeding) to the Borrowers or the Guarantors under this Agreement or any other Loan Document or in connection with any Rate Hedging Obligation.

"Ordinary Course of Business" means the ordinary course of business of any Loan Party or Subsidiary, undertaken in good faith and consistent with applicable Law and past practices.

"Organic Documents" means, with respect to any Person, its charter, certificate or articles of incorporation or formation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, shareholders agreement, partnership agreement, certificate of partnership, certificate of formation, articles of association, voting trust agreement, or similar agreement or instrument governing the formation or operation of such Person.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, enforced any Loan Document.

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are imposed with respect to an assignment (other than an assignment made pursuant to Section 10.6).

"Outside Date" means May 12, 2017.

"Partial ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Payment Item" means each check, draft or other item of payment payable to Loan Party, including those constituting proceeds of any Collateral.

"PBA" means the Pension Benefits Act (Ontario) or any other Canadian federal or provincial or territorial pension benefit standards legislation pursuant to which any Canadian Pension Plan or Canadian Multi-Employer Plan is required to be registered.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Funding Rules" means the Code and ERISA rules regarding minimum required contributions (including installment payments) to Pension Plans set forth in, for plan years ending prior to the Pension Protection Act of 2006 effective date, Section 412 of the Code and Section 302 of ERISA, both as in effect prior to such act, and thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"Pension Plan" any employee pension benefit plan (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Loan Party or ERISA Affiliate or to which the Loan Party or ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the preceding five plan years.

~~**"Permitted Acquisition" means any Acquisition to the extent that each of the following conditions is satisfied with respect to such Acquisition:**~~

~~**(a) no Default or Event of Default exists on the date of the consummation of such Acquisition or would result therefrom;**~~

~~(b) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Borrowers shall be in compliance with all of the Financial Covenants for the most recently ended Test Period;~~

~~(c) after giving effect to such Acquisition and/or series of related Acquisitions on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00;~~

~~(d) unless such Acquisition is the Asset Acquisition, the assets, business or Person being acquired had pro forma positive EBITDA for the 12 month period most recently ended;~~

~~(e) either (x) the assets, business or Person being acquired is located or organized within the United States or (y) the aggregate purchase price payable in respect of such Acquisition (together with the aggregate purchase price paid or payable in respect of all other Acquisitions consummated after the Closing Date in which the assets, business or Person acquired was located or organized outside the United States) does not exceed $23,480,950;~~

~~(f) neither a Loan Party or any of their respective Subsidiaries shall, in connection with any such Acquisition and/or series of related Acquisitions, assume or remain liable with respect to any Indebtedness of the related sellers or the business, Person or properties acquired, except to the extent permitted by Sections 6.2(c) and 6.3(i);~~

~~(g) the Persons or businesses to be acquired shall be, or shall be engaged in, a business of the type that the Borrowers and their Subsidiaries are permitted to be engaged in under the Loan Documents and, to the extent required by the Security Documents, the Collateral acquired in connection with any such Acquisition and/or series of related Acquisitions shall be made subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties in accordance with the Security Documents (having the priority set forth in the Intercreditor Agreement) and the Loan Parties shall otherwise comply with the terms of the Loan Documents relating to additional guarantees and further assurances;~~

~~(h) the Acquisition has been approved by the board of directors (or other equivalent governing body) of the Person to be acquired;~~

~~(i) with respect to such Acquisition or any series of related Acquisitions, the Borrower Agent shall have provided the Administrative Agent with (i) in each case only if made available to a Borrower prior to the consummation of such transaction, historical financial statements for the last three fiscal years of the Person or business to be acquired and unaudited financial statements thereof for the most recent interim period that is available, (ii) a reasonably detailed description of all material information relating thereto and copies of all material documentation pertaining to such transaction, (iii) a Compliance Certificate after giving pro forma effect to such Permitted Acquisition on a Pro Forma Basis, and (iv) to the extent that the aggregate purchase price payable in respect of such Acquisition is greater than or equal to $15,000,000, a quality of earnings report prepared for the Borrower Agent by an independent certified accounting firm of nationally recognized standing reasonably acceptable to the Administrative Agent;~~

~~(j) at least ten (10) Business Days prior to the proposed date of consummation of each such Acquisition (or in the case of the Asset Acquisition, on the Amendment No. 2 Effective Date), the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that such Acquisition and related series of Acquisitions complies with this definition (which shall have attached thereto reasonably detailed backup data and calculations showing such compliance); and~~

~~(k) such Acquisition or any series of related Acquisitions shall be permitted under the Revolving Loan Facility and the Revolving Loan Documents.~~

"Permitted Affiliate Sub Debt" means (x) Indebtedness of Holdings to a Related Party and (y) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to a Related Party, Indebtedness of the Borrower Agent to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, ~~August 11,~~December 31, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than ~~August 11,~~December 31, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

~~"Permitted Colorado Property Sale-Leaseback" means a sale-leaseback transaction consummated by the Loan Parties with respect to the Colorado Property so long as (i) such sale-leaseback transaction is consummated on or prior to the date that is six (6) months following the Closing Date, (ii) no Default or Event of Default exists on the date of the consummation of such sale-leaseback transaction or would result therefrom, and (iii) after giving effect to such sale-leaseback transaction on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period shall not exceed 4.00:1.00.~~

~~"Permitted Contingent Obligations" means Contingent Obligations (a) arising from endorsements of Payment Items for collection or deposit in the Ordinary Course of Business, (b) arising from Swap Contracts permitted hereunder, (c) existing on the Closing Date and set forth on Schedule 6.2, and any extension or renewal thereof that does not increase the amount of such Contingent Obligation when extended or renewed, (d) incurred in the Ordinary Course of Business with respect to surety, appeal or performance bonds, or other similar obligations, (e) arising from customary indemnification obligations in favor of purchasers in connection with dispositions of Property permitted hereunder, (f) arising under the Loan Documents, (g) arising under the Revolving Loan Documents to the extent permitted by the Revolving Loan Facility and the Intercreditor Agreement, (h) arising as a result of an unsecured Guaranty by Holdings of the Indebtedness, Real Property lease or other obligation of a Loan Party permitted by this Agreement (provided, that if any such Indebtedness, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to the Administrative Agent and the Lenders as compared to the subordination terms applicable to such Indebtedness, lease or other obligations), or (i) in an aggregate amount of $3,000,000 or less at any time.~~

"Permitted Discretion" means a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured term loan lender).

"Permitted Indebtedness" has the meaning set forth in Section 6.2.

"Permitted Investment" means any of the following Investments made by the Borrower or any of its Subsidiaries in any Person: (i) Investments in Subsidiaries to the extent existing on the Closing Date and set forth on **Schedule 6.6**, (ii) cash equivalents that that are subject to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and the Administrative Agent's control (subject to the Intercreditor Agreement), (iii~~) Permitted Acquisitions, (iv~~) Investments consisting of bank deposits in the Ordinary Course of Business, (~~v~~iv) Investments consisting of contributions of capital or asset transfers to the Borrower or any Wholly Owned Loan Party, so long as no Change of Control occurs as a result thereof, (~~vi~~v) Investments consisting of (a) advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business, (b) prepaid expenses and extensions of trade credit made in the Ordinary Course of Business, (c) deposits with financial institutions permitted hereunder, and (d) intercompany loans by the Borrower or a Wholly Owned Loan Party to the Borrower or a Wholly Owned Loan Party, ~~and (e) non-cash loans consisting of promissory notes from officers, directors and employees for the purchase of newly issued Equity Interests of Holdings, so long as no Change of Control occurs thereby, (vii~~(vi) Investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts, (~~viii~~vii) Investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby, ~~(ix) so long as no Default or Event of Default has occurred and is continuing, to the extent funded by borrowings under the Revolving Loan Agreement, Investments in connection with the Asset Acquisition in an aggregate amount not to exceed $8,873,926 so long as the proceeds of such Investments are promptly used to consummate the Asset Acquisition, (x) so long as no Default or Event of Default has occurred and is continuing, to the extent funded by borrowings under the Revolving Loan Agreement, Investments in connection with the Share Acquisition in an aggregate amount not to exceed the Net Cash Proceeds received by the Loan Parties from a Permitted Colorado Property Sale-Leaseback so long as the proceeds of such Investments are promptly used to consummate the Share Acquisition, (xi) so long as no Default or Event of Default has occurred and is continuing, other Investments by a Loan Party or Subsidiary (including Investments by a Loan Party or Subsidiary in Foreign Subsidiaries) in an aggregate amount not to exceed $5,000,000 at any one time outstanding, and (xii~~and (viii~~) in the case of a Canadian Subsidiary, Canadian cash equivalents.

"Permitted Lien" has the meaning set forth in Section 6.3.

~~**"Permitted Management Fees" means the fees, in an aggregate amount not in excess of $850,000 per fiscal year, payable by the Borrowers to the Managers pursuant to the Management Agreements, as in effect on the Closing Date or as amended in accordance with Section 6.9(c).**~~

"Permitted Purchase Money Debt" means Purchase Money Debt of the Loan Parties and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount of Permitted Purchase Money Debt outstanding does not exceed $1,000,000 at any time.

~~**"Permitted Refinancing Revolving Loan Facility" means a Revolving Loan Facility that refinances in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement, so long as, without the prior consent of the Required Lenders, (i) such refinancing and such Revolving Loan Facility, and the terms thereof, are permitted under Section 10.4 of the Intercreditor Agreement (provided, that, the applicable all in interest rate (including the impact of any fees) in respect of such Revolving Loan Facility shall be deemed to satisfy the limitations in respect thereof set forth in 10.4(b)(ii) of the Intercreditor Agreement so long as the all in interest rate in respect of such Revolving Loan Facility does not exceed the lesser of (x) prevailing market rates (including the impact of any fees) for such Revolving Loan Facility or (y) the interest rate in respect of the Term Loans), and (ii) except as permitted by the proviso to clause (i) above, the terms of such Revolving Loan Facility (including, without limitation, any restrictions or limitations therein on the ability of the Loan Parties to make payments or prepayments in respect of the Obligations) shall, taken as a whole, be at least as favorable to the Term Lenders as those contained in the Revolving Loan Agreement and Intercreditor Agreement, in each case, as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, but without giving effect to (A) the amendment to the definition of "Revolver Termination Date" set forth in Section 2(a) of the Fourth Amendment to Revolving Loan Agreement, and (B) the amendment to Section 10.2(h) of the Revolving Loan Agreement set forth in Section 2(c) of the Fourth Amendment to Revolving Loan Agreement (and any amendments to any defined terms used therein).**~~

"Person" means any natural person, corporation, firm, joint venture, partnership, limited partnership, limited liability company, unlimited liability company, association, trust or other entity or organization, whether acting in an individual, fiduciary or other capacity, or any government or political subdivision thereof or any agency, department or instrumentality thereof.

"Plan" means each employee benefit plan (as defined in Section 3(3) of ERISA) whether now in existence or hereafter instituted, of, or contributed to by, any Loan Party or any of their Subsidiaries or any of their respective ERISA Affiliates.

"Prime Rate" means the rate of interest quoted in *The Wall Street Journal* (or another national publication reasonably selected by the Administrative Agent) as the U.S. "Prime Rate."

"Pro Forma Basis" means, with respect to compliance with any financial performance test hereunder for the applicable Test Period, in respect of any Specified Transaction, the making of such calculation after giving pro forma effect to:

(a) the consummation of such Specified Transaction as of the first day of the applicable Test Period, as if such Specified Transaction had been consummated on the first day of such Test Period;

(b) the assumption, incurrence or issuance of any Indebtedness by Holdings or any of its Subsidiaries (including any Person which becomes a Subsidiary pursuant to or in connection with such Specified Transaction) in connection with such Specified Transaction, as if such Indebtedness had been assumed, incurred or issued (and the proceeds thereof applied) on the first day of such Test Period (with any such Indebtedness bearing interest during any portion of the applicable Test Period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness incurred during such Test Period); and

(c) the costs and expenses of any target that have not been assumed by Holdings or any of its Subsidiaries shall be disregarded to the extent such costs and expenses are reasonably identifiable, factually supportable and certified by a Responsible Officer, and any (i) cost and expenses of any such target that have been assumed in any Specified Transaction and (ii) incremental recurring costs and expenses incurred in connection with any Specified Transaction shall, in the case of each of (i) and (ii) be calculated as if such costs and expenses were assumed on the first day of such Test Period; ~~and~~

~~(d) with respect to any Colorado Property Sale-Leaseback, the incurrence of any lease, rental or other payment obligations by Holdings or any of its Subsidiaries in connection with such Colorado Property Sale-Leaseback, as if such lease, rental or other payment obligations had been incurred on the first date of such Test Period (and as if such payments had been paid during such Test Period);~~

with clauses (a) through (~~d~~c) calculated in a manner consistent with GAAP and the definition of Consolidated EBITDA and subject to, the limitations set forth in the definition of Consolidated EBITDA, including adjustments for restructuring charges or reserves and non-recurring integration costs.

"Proceeding" has the meaning ascribed to it in Section 9.5.

"Properly Contested" means, with respect to any obligation of a Loan Party or Subsidiary, (a) the obligation is subject to a bona fide dispute regarding amount or the Loan Party' or Subsidiary's liability to pay, (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued, (c) appropriate reserves have been established in accordance with GAAP, (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Loan Party or Subsidiary, (e) no Lien is imposed on assets of the Loan Party or Subsidiary, unless bonded and stayed to the satisfaction of the Administrative Agent, and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, and any right in respect of any of the foregoing.

"Purchase Money Debt" means (a) Indebtedness (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets, (b) Indebtedness (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof, and (c) any renewals, extensions or refinancings (but not increases) thereof; provided, that, in no event shall the amount of Purchase Money Debt exceed the purchase price of the assets being financed in respect thereof.

"Purchase Money Lien" means a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Indebtedness and constituting a Capital Lease or a purchase money security interest under the Uniform Commercial Code or the Personal Property Security Act of British Columbia or similar legislation of any other Canadian jurisdiction.

"Qualified ECP Guarantor" means, at any time, each Borrower, Affiliate of Borrower or Guarantor with total assets exceeding $10,000,000 or that qualifies at such time as an "eligible contract participant" under the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" at such time under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Qualified Equity Interests" means any Equity Interests or Equity Interests Equivalents that are not Disqualified Equity Interests.

"Qualifying Issuance" means an issuance and sale for cash by Holdings, on or prior to the Equity Prepay Expiration Date, of common Equity Interests of Holdings that are Qualified Equity Interests.

"Rate Hedging Obligations" means any and all obligations of the Borrowers, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under Swap Contracts which are entered into or maintained by any Borrower, Guarantor or any of their Affiliates with the Administrative Agent or a Lender or an Affiliate of the Administrative Agent or a Lender and which are not prohibited by the express terms of the Loan Documents.

"Real Property" means all real property or interests therein wherever situated owned or ground (or space) leased by a Borrower or any other Loan Party or any of their respective Subsidiaries.

"Recipient" means the Administrative Agent or any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower or Guarantor hereunder.

"Refinancing" has the meaning ascribed to it in Section 2.1(a).

"Refinancing Conditions" means the following conditions (a) for Refinancing Debt (other than with respect to the extending, renewing or refinancing of Indebtedness arising under the Revolving Loan Facility): (i) it is in an aggregate principal amount that does not exceed the principal amount of the Indebtedness being extended, renewed or refinanced, (ii) it has a final maturity no sooner than, a weighted average life no less than, and an interest rate no greater than, the Indebtedness being extended, renewed or refinanced, (iii) it is subordinated to the Obligations at least to the same extent as the Indebtedness being extended, renewed or refinanced, (iv) the representations, covenants and defaults applicable to it are no less favorable to the Loan Parties than those applicable to the Indebtedness being extended, renewed or refinanced, (v) no additional Lien is granted to secure it, (vi) no additional Person is obligated on such Indebtedness, and (vii) upon giving effect to it, no Default or Event of Default exists, or (b) for Refinancing Debt that is extending, renewing or refinancing Indebtedness arising under the Revolving Loan Facility, such Indebtedness is extended, renewed or refinanced in accordance with and to the extent permitted by the terms and provisions of the Intercreditor Agreement.

"Refinancing Debt" means Indebtedness that is the result of an extension, renewal or refinancing of Permitted Debt permitted under Section 6.2(b), (d), (e) or (ge).

"Register" has the meaning ascribed to it in Section 9.9(d).

"Regulation D," "Regulation T," "Regulation U" and "Regulation X" means Regulation D, Regulation T, Regulation U and Regulation X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Related Agreements" means the Hydrofarm Acquisition Agreement, the Canadian Purchase Agreements, the Management Agreements and all agreements, instruments and documents executed or delivered in connection therewith.

"Related Indemnified Party" has the meaning ascribed to it in Section 9.5.

"Related Parties" means the Sponsor or any of Holdings' other equity holders as of the Closing Date and, in each case, their Controlled Investment Affiliates.

"Remaining ECF Payment Amount" has the meaning set forth in Section 2.1(g)(3).

"Reorganization" has the meaning set forth in the Hydrofarm Acquisition Agreement, as in effect on the date hereof.

"Reportable Event" any event set forth in Section 4043(c) of ERISA, other than an event for which the thirty (30) day notice period has been waived.

"Required Lenders" means Lenders holding more than fifty percent (50%) of the aggregate outstanding principal amount of the Term Loans; provided that if there are at least two Lenders (treating Lenders that are Affiliates of one another as a single Lender for the purposes of this proviso ), "Required Lenders" must include at least two Lenders. The Commitments and Loans of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Resignation Effective Date" has the meaning specified in Section 8.13.

"Responsible Officer " means the chief executive officer, president, senior vice president, senior vice president (finance), vice president, chief financial officer, treasurer, manager of treasury activities or assistant treasurer or other similar officer or Person performing similar functions of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant secretary of a Loan Party. To the extent requested by the Administrative Agent, each "Responsible Officer" will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance reasonably satisfactory to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. Unless otherwise specified, all references herein to a "Responsible Officer" shall refer to a Responsible Officer of the Borrower Agent.

"Restricted Payment" means (a) any declaration or payment of a distribution, interest or dividend on, any payment on account of, or any setting apart assets for a sinking or other analogous fund for, any Equity Interest or Equity Interests Equivalents, (b) any distribution, advance or repayment of any Indebtedness (other than the HHG Note) to a direct or indirect holder of Equity Interests or Equity Interests Equivalents, (c) any purchase, redemption, or other acquisition or retirement for value of, or any setting apart assets for a sinking or other analogous fund for the purchase, redemption, or other acquisition or retirement for value of, any Equity Interest or Equity Interests Equivalents or (d) any management fees paid to the Manager, the Sponsor, the Co-Investor or any of their respective Affiliates.

"Revolving Loan Agent" means ~~Bank of America N.A.~~Encina Business Credit, LLC, in its capacity as administrative agent and collateral agent under the Revolving Loan Facility, and its successors and assigns.

"Revolving Loan Agreement" has the meaning assigned to that term in the definition of "Revolving Loan Facility".

"Revolving Loan Documents" has the meaning assigned to the term "Revolving Loan Documents" in the Intercreditor Agreement.

"Revolving Loan Facility" means (i) that certain ~~Amended and Restated~~ Loan and Security Agreement, dated as of ~~November 8, 2017,~~the Amendment No. 5 Effective Date, as may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, among the Loan Parties, the other borrowers party thereto, the Revolving Loan Agent and the Revolving Loan Lenders (the "Revolving Loan Agreement"), and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Indebtedness or other financial accommodation that has, subject to the limitations set forth herein and in the Intercreditor Agreement, been incurred by the Loan Parties to increase, extend, replace or refinance in whole or in part the Indebtedness and other obligations outstanding under (x) the ~~Amended and Restated~~ Loan and Security Agreement referred to in clause (i) or (y) any subsequent Revolving Loan Facility, unless such agreement or instrument expressly provides that it is not intended to be and is not an Revolving Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Revolving Loan Facility hereunder shall be deemed a reference to any Revolving Loan Facility then in existence.

"Revolving Loan Lenders" has the meaning assigned to the term "~~Revolving Loan~~ Lenders" in the Intercreditor Agreement.

"Revolving Loan Maximum Amount" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loan Obligations" shall mean the "Obligations" as such term is defined in the Revolving Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

"Revolving Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement.

"Revolving Loans" means the "~~Revolver~~Revolving Loans" made pursuant to and as defined in the Revolving Loan Facility or any equivalent term used to describe the revolving loans (including any swingline loans, overadvances and protective advances made thereunder and in connection therewith).

"SBIA" means the Small Business Investment Act of 1958, as amended.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor to the rating agency business thereof.

"SDN List" has the meaning set forth in Section 4.27.

"Second ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Secured Parties" means, collectively, with respect to each of the Security Documents, the Administrative Agent, the Lenders, and each Affiliate of the Administrative Agent or any Lender, which Affiliate is party to any Rate Hedging Obligations and each agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.10.

"Security Agreement" means a Security Agreement dated as of the Closing Date, entered into by the Borrowers and the Guarantors in favor of the Administrative Agent for the benefit of the Secured Parties, as it may be amended, modified, restated or replaced from time to time.

"Security Documents" means and refer to the Security Agreement, the Perfection Certificate (as defined in the Security Agreement), the Guarantees and each other assignment, pledge or security agreement, instrument, certificate, financing statements, filings or document pursuant to which any Borrower, any Guarantor or any other Person shall grant or convey to the Administrative Agent or the Lenders a Lien in Collateral as security for all or any portion of the Obligations, whether now or hereafter in existence, as said agreements or documents may be amended, modified, restated or replaced from time to time, each in form and substance reasonably satisfactory to the Administrative Agent.

"Share Acquisition" means the acquisition by EWGS of substantially all of the Equity Interests of Eddi for a purchase price of $14,607,024 pursuant to and in accordance with the Share Purchase Agreement.

"Share Purchase Agreement" means the share purchase agreement to be entered into among EWGS, as purchaser, and More or Les Ventures Ltd., a corporation incorporated under the laws of the Province of British Columbia, as seller, and Ed Les, an individual resident in the Province of British Columbia, as guarantor, in the form delivered and certified to Administrative Agent on the Amendment No. 2 Effective Date pursuant to the Amendment No. 2 (the "Draft Share Purchase Agreement"), together with any modifications, supplements, amendments or waivers to the Draft Share Purchase Agreement that either (x) are not adverse to the Lenders in their capacities as such or (y) are consented to in writing by the Required Lenders.

"Side Agreement" has the meaning specified in Amendment No. 4.

"Solvent" means, as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of its debts (including contingent, subordinated, unmatured and unliquidated liabilities), (b) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) of such Person as they become absolute and matured, (c) is able to pay all of its debts as they mature, (d) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage, (e) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code of the United States of America and, in the case of any Canadian Subsidiary, is not an "insolvent person" within the meaning of the BIA, and (f) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any Loan Documents, or made any conveyance in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Affiliates. "Fair salable value" means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

"Specified Loan Party" means any Borrower, Affiliate of Borrower or Guarantor that is not then an "eligible contract participant" under the Commodity Exchange Act (determined prior to giving effect to Section 9.20).

"Specified Acquisition Agreement Representations" means such of the representations and warranties made by or in respect of Hydrofarm, the Acquired Company, the Seller (as defined in the Hydrofarm Acquisition Agreement) or the Stockholders (as defined in the Hydrofarm Acquisition Agreement) in the Hydrofarm Acquisition Agreement, but only to the extent that the Initial Borrower (or any of its Affiliates) have the right to terminate its obligations to consummate the Hydrofarm Acquisition under the Hydrofarm Acquisition Agreement (or the right to not consummate the Hydrofarm Acquisition pursuant to the Hydrofarm Acquisition Agreement) (in each case, in accordance with the terms thereof) as a result of a breach of such representations and warranties in the Hydrofarm Acquisition Agreement (determined without regard to whether any notice is required to be delivered under the Hydrofarm Acquisition Agreement).

"Specified Representations" means the representations and warranties of the Loan Parties in Sections 4.1 (solely with respect to (x) the first sentence thereof (other than with respect to qualifications to do business as a foreign corporation) and (y) the third sentence thereof), 4.2, 4.4, 4.6(i), 4.7, 4.10, 4. 11, 4.12, 4.13, 4.15, 4.20, 4.24 (solely with respect to the consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement being not in violation of any statute, regulation, order, judgment or decree), 4.26 (other than, in the case of the second sentence thereof, with respect to the perfection of the Lien in respect of any Collateral that, pursuant to Section 3.2 , is not required to be provided on the Closing Date), 4.27, 4.28 and 4.32 (solely with respect to the last sentence thereof).

"Specified Transaction" means the Hydrofarm Acquisition, any Investment (including any Acquisition), Asset Disposition ~~**(including, without limitation, any Colorado Property Sale-Leaseback)**~~, incurrence or repayment of Indebtedness or Restricted Payment that by the terms of this Agreement requires such test to be calculated on a "Pro Forma Basis".

"Sponsor" means Hawthorn Equity Partners and its Controlled Investment Affiliates.

"Sponsor Group" means (i) Hawthorn Equity Partners~~, and its Controlled Investment Affiliates, (ii)~~ Broadband Capital Investments~~**, Serruya Private Equity, Peter Wardenburg and their affiliates, and shareholders that have designated their voting rights to any of the Sponsor Group**~~ and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates.

"Subordinated Indebtedness" any Permitted Affiliate Sub Debt and any other Indebtedness incurred by a Loan Party that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to the Administrative Agent in its Permitted Discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, ~~August 11,~~December 31, 2022, (d) provides for payments of interest solely in-kind (and not in cash) until not earlier than ~~August 11,~~December 31, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, (g) is subject to permanent standstill provisions, and (h) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to the Administrative Agent in its Permitted Discretion. For the avoidance of doubt, "Subordinated Indebtedness" shall not include Indebtedness in respect of the HHG Note.

"Subsidiary" of any Person means (i) any corporation of which more than 50% of the outstanding Equity Interests and Equity Interests Equivalents of any class or classes having ordinary voting power for the election of directors (irrespective of whether or not at the time Equity Interests or Equity Interests Equivalents of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is now or hereafter owned directly or indirectly by such Person, by such Person and one or more of its Subsidiaries, or by one or more of such Person's other Subsidiaries, (ii) any partnership, association, limited liability company, joint venture or other entity in which such Person, such Person and one or more of its Subsidiaries, or one or more of its Subsidiaries, is either a general partner or has an equity or voting interest of more than 50% at the time, and (iii) any other entity which is directly or indirectly controlled by such Person or one or more Subsidiaries of such Person or both; provided that, unless otherwise specified, any reference to "Subsidiary" means a Subsidiary of a Borrower.

"Sunblaster Canada" means Sunblaster Holdings ULC**,** a British Columbia unlimited liability company.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Obligations" means with respect to any Borrower or Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark- to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Tax Distribution" means, with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and Holdings is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm to Holdings (which Holdings may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income of Holdings for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests in Holdings is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to clause (x)(ii)(b) above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of Holdings allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Loan Party (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of Holdings or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Loan Party pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of Holdings (to the extent Holdings reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan Priority Collateral" has the meaning assigned to such term in the Intercreditor Agreement (it being understood and agreed that any time the Revolving Loan Facility is not in effect, the term "Term Loan Priority Collateral" shall mean all Collateral).

"Term Loans" means the term loans made on the Closing Date pursuant to Section 2.1(a).

"Termination Event" means (i) the voluntary full or partial wind up of a Canadian Pension Plan that is a registered pension plan by a Canadian Subsidiary; (ii) the institution of proceedings by any Governmental Authority to terminate in whole or in part or have a trustee appointed to administer such a plan; or (iii) any other event or condition which could reasonably be expected to constitute grounds for the termination of, winding up of, partial termination or winding up of, or the appointment of a trustee to administer, any such plan.

"Test Period" in effect at any time means the most recent period of twelve consecutive calendar months of the Borrowers ended on or prior to such time (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b), (c) or (d), as applicable; provided, that, for the purposes of Section 6.1(c) and the definition of "Cumulative EBITDA", the "Test Period" in effect as of any date shall mean the period from, and including, July 1, 2018 through, and including, the last day of the most recently ended calendar month ended on or prior to such date (taken as one accounting period) in respect of which financial statements have been or are required to be delivered pursuant to Section 5.1(b), (c) or (d) , as applicable. Subject to the proviso in the immediately prior sentence, a Test Period may be designated by reference to the last day thereof (*e.g.*, the "June 30, 2017 Test Period" refers to the period of 12 consecutive calendar months of the Borrowers ended on June 30, 2017), and a Test Period shall be deemed to end on the last day thereof.

"Third ECF Payment Date" has the meaning set forth in Section 2.1(g)(3).

"Total Net Debt" means, as of any date of determination, (a) Indebtedness of the type described in clauses (a), (b) , (d) , (f), (h), (i) and (j) (but (1) excluding Permitted Affiliate Sub Debt and (2) in the case of clauses (i) and (j) solely to the extent Guaranteeing or related to Indebtedness described in clauses (a), (b), (d), (f) (but, in the case of earn-out obligations, only to the extent not paid when due) and (h)), minus (b) unrestricted cash and cash equivalents of the Borrowers and their Subsidiaries to the extent such cash or cash equivalents are subject to a first priority perfected security interest in favor of the Administrative Agent (subject to the Intercreditor Agreement) in an amount of up to $5,000,000 in the aggregate for all such cash and cash equivalents; provided that Total Net Debt shall not include Indebtedness in respect of (i) letters of credit, except to the extent of unreimbursed amounts thereunder and (ii) obligations under swap contracts.

"Total Net Leverage Ratio" means, in respect of any calendar month, on a consolidated basis, the ratio of Total Net Debt as of the last day of such calendar month to Adjusted Consolidated EBITDA for the Test Period ending on the last day of such calendar month.

"Transactions" means, collectively, (a) the execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and, in the case of the Borrowers, the borrowing of the Term Loans hereunder and the use of proceeds thereof in accordance with the terms hereof, (b) the execution, delivery and performance by each Loan Party of the Revolving Loan Documents to which such Loan Party is a party and, in the case of the borrowers under the Revolving Loan Documents, the making of the initial borrowings of Revolving Loans thereunder and the use of proceeds thereof in accordance with the terms thereof, (c) the execution, delivery and performance by Holdings of the Hydrofarm Acquisition Agreement and the other Acquisition Documents and the consummation of the transactions contemplated thereby, (d) the consummation of the Closing Equity Contribution, (e) the execution and delivery of the Assumption Agreement and the consummation of the transactions contemplated thereby, including the assumption by the Borrowers of the obligations of the Initial Borrower hereunder, and (f) the payment of related fees and expenses.

"United States" and "U.S." mean the United States of America.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning assigned thereto in Section 10.1(e)(ii)(B)(3).

"Wholly Owned Loan Party" means any Loan Party that is a Subsidiary of a Borrower so long as all of the Equity Interests and Equity Interests Equivalents of such Loan Party (other than directors' qualifying shares required by law) are owned by a Borrower, either directly or through one or more Subsidiaries of a Borrower that are Wholly Owned Loan Parties.

"WJCO" means WJCO LLC, a Colorado limited liability company, which is the successor to WJCO, Inc., a Colorado corporation, as a result of the Reorganization and the Conversion.

**1.2 Other Interpretive Provisions**. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) All undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition contained in Article or Division 9 shall control.

(c) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(d) The words "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(e) References in this Agreement to an Exhibit, Schedule, Article, Section, clause or sub-clause refer (A) to the appropriate Exhibit or Schedule to, or Article, Section, clause or sub-clause in this Agreement or (B) to the extent such references are not present in this Agreement, to the Loan Document in which such reference appears.

(f) The term "including" is by way of example and not a limitation.

(g) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(h) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(i) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

**1.3 Accounting Terms; Payment Dates**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein. Unless the context indicates otherwise, any reference to a "fiscal year" or a "fiscal quarter" shall refer to a fiscal year ending December 31 or fiscal quarter ending March 31, June 30, September 30 or December 31 of the Borrowers.

**1.4** **References to Agreements, Laws, Etc**. Unless otherwise expressly provided herein, (a) any definition of or reference to any agreement, instrument or other document herein or in any Loan Document shall be construed as referring to such agreement, instrument or other document as may be from time to time amended, restated, amended and restated, supplemented or otherwise modified, extended, refinanced or replaced (subject to any restrictions or qualifications on such amendments, restatements, amendment and restatements, supplements or modifications, extensions, refinancings or replacements set forth herein or in any Loan Document) and (b) any reference to any law in any Loan Document shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law.

**1.5** **Times of Day**. Unless otherwise specified, all references herein to times of day shall be references to New York City time (daylight or standard, as applicable).

## ARTICLE II
## THE TERM LOANS

**2.1** **The Term Loans**.

(a) Term Loans. Subject (x) with respect to the conditions to the obligation to make such Term Loans on the Closing Date, only to the conditions precedent set forth in Section 3.1 and (y) otherwise, to the other terms and conditions set forth herein, the Lenders severally agree to make term loans (the "Term Loans") under the Commitments to the Borrowers on the Closing Date in an aggregate principal amount equal to $75,000,000 to fund (i) a portion of the purchase price for the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) a portion of the repayment, prepayment or redemption, as applicable, in full of all Indebtedness owing to third parties for borrowed money of the Acquired Company (together with the defeasance, discharge and termination thereof and the related release and termination of all guarantees and security interests granted thereunder, the "Refinancing"), (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes. The Commitments shall be terminated concurrently with the funding of the Term Loans on the Closing Date. The Borrowers' obligation to pay the principal of, and interest on, the Term Loan shall be evidenced by the records of the Lenders and by one or more promissory note(s) in form substantially as attached hereto as **Exhibit A** (the "Notes "). The entries made in the Register shall (absent manifest error) be *prima facie* evidence of the existence and amounts of the obligations of the Borrowers therein recorded; provided, that the failure or delay of the Lenders in maintaining or making entries into any such record or on such schedule or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Term Loan (both principal and unpaid accrued interest) in accordance with the terms of this Agreement.

(b) Notes. If requested by any Lender, the Term Loans made or held by such Lender shall be evidenced by, and be payable in accordance with, the terms of the Note issued to such Lender made by the Borrowers payable to the order of such Lender in a principal amount equal to the Term Loans held by such Lender; subject, however , to the provisions of such Note to the effect that the principal amount payable thereunder at any time shall not exceed the then unpaid principal amount of the Term Loans made or held by such Lender. The Borrowers hereby irrevocably authorize each Lender to make or cause to be made, at or about the time of the Term Loans made by such Lender, an appropriate notation on the records of such Lender, reflecting the principal amount of such Term Loans, and such Lender shall make or cause to be made, on or about the time of receipt of payment of any principal of any Term Loans, an appropriate notation on its records reflecting such payment and such Lender will, prior to any transfer of any of such Note, endorse on the reverse side thereof the outstanding principal amount of the Term Loans evidenced thereby. Failure to make any such notation shall not affect the Loan Parties' obligations in respect of such Term Loans. The aggregate amount of all Term Loans set forth on the Register shall be conclusive evidence of the principal amount owing and unpaid on such Lender's Note, absent manifest error.

(c) Promise to Pay. The Borrowers hereby promise to pay in full to the Administrative Agent for the benefit of the Lenders the amount of all Obligations, including the principal amount of all Term Loans, together with accrued interest, fees and other amounts due thereon, all in accordance with the terms of this Agreement. All outstanding Obligations, including the outstanding principal amount of all Term Loans, together with unpaid accrued interest, fees and other amounts due thereon, shall be due and payable in full on the Maturity Date.

(d) Required Payments.

(1) Amortization. Commencing September 30, 2017, and continuing on the last day of each fiscal quarter of the Borrowers thereafter, the Borrowers shall make quarterly repayments of the principal amount of the Term Loans in the aggregate principal amount equal to 0.625% of the original principal amount of the Term Loans on the Closing Date; provided, that, with respect to any payment required under this clause (1) at any time from and after June 30, 2018 (each such scheduled payment, a "Restricted Amortization Payment"), the Borrowers shall not be required to pay any such Restricted Amortization Payment unless, with respect to any Restricted Amortization Payment that is payable on or after January 1, 2020, (x) the Borrowers shall have delivered the financial statements as of, and for the fiscal year ending, December 31, 2019 in compliance with the provisions of Section 5.1(b), and (y) the Fixed Charge Coverage Ratio of the Borrowers as of the last day of any two consecutive fiscal quarters of the Borrowers ending on or prior to the date on which such Restricted Amortization Payment is payable shall have been not less than 1.10:1.00 (provided, that, for the purposes of this clause (y), the first of any such two consecutive fiscal quarters shall not occur prior to the fiscal quarter ending on December 31, 2019).

(2) Maturity. The entire remaining unpaid principal balance of the Term Loan, together with accrued but unpaid interest, shall be due and payable in full on the Maturity Date.

(e) Interest . The Borrowers agree to pay interest on the aggregate outstanding principal amount of the Term Loans until paid in full as follows:

(1) Accrual. From the Closing Date through the Maturity Date, the Term Loans shall bear interest at the rate of (i) with respect to LIBOR Rate Loans, the LIBOR Rate plus the Applicable Margin, and (ii) with respect to Base Rate Loans, the Base Rate plus the Applicable Margin.

(2) Default Interest. While any Default or Event of Default exists and is continuing, either (i) from and after the delivery of written notice to the Borrower from the Administrative Agent or the Required Lenders of their election to charge Default Interest until the applicable Event of Default is cured or waived or (ii) immediately upon the occurrence of any Default or Event of Default under Section 7.1(a) or 7.1(j) until the applicable Event of Default is cured or waived, the Borrower shall pay interest ("Default Interest") with respect to each Term Loan, plus any accrued and unpaid interest thereon, then outstanding at the Default Rate. All Default Interest shall be payable on demand.

(3) Payment Dates. Interest accrued on each Term Loan shall be payable, without duplication:

(A) on the Maturity Date;

(B) in respect of any Term Loan, on the date of any payment or prepayment, in whole or in part, of principal outstanding on such Term Loan, on the principal amount so paid or prepaid; and

(C) in respect of (i) any Base Rate Loan, on May 31, 2017 and on the last Business day of each month thereafter and (ii) with respect to any LIBOR Rate Loan, at the end of each Interest Period (together with the Maturity Date, each an "Interest Payment Date")~~; provided, that, with respect to any Interest Payment Date that would otherwise occur during the continuation of the Forbearance Period (as defined in the Forbearance Agreement), the interest that would otherwise be required to be paid hereunder on such Interest Payment Date shall instead be due and payable hereunder on the Forbearance Termination Date (as defined in the Forbearance Agreement)~~.

Notwithstanding anything to the contrary set forth herein, from and after the occurrence of the Amendment No. 3 Effective Date until December 31, 2019, any interest payable hereunder on any date (such amount, the "Interest Amount") shall be paid on such payment date as follows:

(i) thirty percent (30%) of such Interest Amount shall be payable by the Borrowers in cash in immediately available funds;

(ii) after giving effect to the cash payment required by clause (a) above, all remaining interest payable on such date (which, for the avoidance of doubt, shall not exceed 70% of the Interest Amount), shall be paid by capitalizing such interest (the "PIK Interest") on such payment date and adding it to (and thereby increasing) the outstanding principal amount of the Term Loans hereunder (as increased by any prior payments of PIK Interest), which increase shall be allocated among the Lenders in proportion to the principal amount of the Term Loans held by each such Lender as of such date, and thereafter all such PIK Interest shall be treated in all respects as outstanding principal under the Term Loans.

For the avoidance of doubt, notwithstanding anything to the contrary set forth herein, commencing on January 1, 2020 and at all times thereafter, 100% of all interest payable hereunder on or after such date shall be paid in cash in immediately available funds.

The Administrative Agent shall determine each interest rate applicable to the Term Loan in accordance with the terms hereof and, upon any rate change, shall promptly notify the Borrower Agent of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

(f) Calculation of Interest. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBOR Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Term Loan for the day on which the Term Loan is made, and shall not accrue on a Term Loan, or any portion thereof, for the day on which the Term Loan or such portion is paid. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(g) Prepayment. Subject to the Intercreditor Agreement, prepayments of the Term Loans shall be (or in the case of Section 2.1(g)(1), may be) made as set forth below:

(1) (i) The Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, except that any prepayment of Term Loans pursuant to this Section 2.1(g)(1)(i) effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each partial prepayment shall be in an aggregate principal amount of not less than $ 1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10 .5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(ii) On or prior to the Equity Prepay Expiration Date, the Borrower Agent shall have the right, by giving written notice to the Administrative Agent (which such written notice shall be in a form approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be reasonably approved by the Administrative Agent), substantially completed and signed by a Responsible Officer) by not later than 1:00 p.m. on the third (3rd) Business Day preceding the date of such prepayment, to prepay all or any portion of the aggregate principal amount of the Term Loans, without premium or penalty, from the Net Cash Proceeds received by Holdings from a Qualifying Issuance; provided, that (A) the maximum principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii) with respect to any Qualifying Issuance shall not exceed fifty percent (50%) of the Net Cash Proceeds received by Holdings from such Qualifying Issuance, (B) the aggregate principal amount of the Term Loans that may prepaid pursuant to this Section 2.1(g)(1)(ii), whether in connection with one or multiple Qualifying Issuances, shall in no event exceed $2,500,000, and (C) in no event shall the Loan Parties be permitted to prepay any Term Loans pursuant to this Section 2.1(g)(1)(ii) after the Equity Prepay Expiration Date. Each partial prepayment shall be in an aggregate principal amount of not less than $1,000,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. Borrowers shall reimburse the Lenders and the Administrative Agent on demand for any amounts set forth in, and to the extent required by, Section 10.5. Voluntary prepayments of Term Loans shall be applied to reduce the remaining scheduled repayments required by Section 2.1(d)(1) as the Borrower Agent shall direct.

(2) Concurrently with the receipt by Holdings or any of its Subsidiaries of any Net Cash Proceeds of any Extraordinary Receipts, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(3) No later than five (5) days following the date of delivery of annual audited financial statements for the fiscal year ending December 31, 2020 pursuant to Section 5.1(b) and thereafter no later than the date five (5) days following the date of delivery of annual audited financial statements for each subsequent fiscal year pursuant to Section 5.1(b) (such required payment date during any fiscal year is herein referred to as the "Initial ECF Payment Date" in respect of such fiscal year), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to (i) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been greater than or equal to 3.25:1.00, 50.0% of Excess Cash Flow for such Excess Cash Flow Period, (ii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 3.25:1.00 but greater than or equal to 2.50:1.00, 25.0% of Excess Cash Flow for such Excess Cash Flow Period, or (iii) if the Total Net Leverage Ratio at the end of such the applicable Excess Cash Flow Period shall have been less than 2.50:1.00, 0.0% of Excess Cash Flow for such Excess Cash Flow Period (the amount of the required mandatory prepayment to be made in a fiscal year as determined in accordance with the foregoing is herein referred to as the "ECF Payment Amount" in respect of such fiscal year); provided that, at the option of the Borrowers, any voluntary prepayments of the Term Loans (to the extent paid with Internally Generated Funds) made during such fiscal year prior to the applicable Initial ECF Payment Date in such fiscal year (and without duplication in the next fiscal year) will reduce the ECF Payment Amount required for such fiscal year on a dollar-for-dollar basis; provided, further, that, if the ECF Liquidity as of the Initial ECF Payment Date in a particular fiscal year, calculated on a pro forma basis assuming that the entire ECF Payment Amount for such fiscal year was paid on such Initial ECF Payment Date, is less than $10,000,000, then:

(A) the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Initial ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Initial ECF Payment Date in an amount equal to the entire ECF Payment Amount for such fiscal year; or

(ii) elect to (a) reduce the mandatory prepayment of Term Loans required to be made pursuant to this Section 2.1(g)(3) on such Initial ECF Payment Date to an amount equal to the product of (x) 50%, times (y) the ECF Payment Amount for such fiscal year (the "Partial ECF Payment Amount"), which Partial ECF Payment Amount shall be due and payable by the Borrowers no later than the date five (5) days following the date of delivery of the annual audited financial statements pursuant to Section 5.1(b) for the prior fiscal year, and (b) defer the obligation of the Borrowers' to prepay the amount by which the ECF Payment Amount for such fiscal year exceeds such Partial ECF Payment Amount (the "Remaining ECF Payment Amount") until either the Second ECF Payment Date or Third ECF Payment Date as determined in accordance with clauses (B) and (C) below;

(B) if, pursuant to clause (A) above, the Borrowers shall have duly elected to make a payment of the Partial ECF Payment Amount on the Initial ECF Payment Date in respect of such fiscal year, then, on June 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Second ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2 .1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year; provided, that, if the ECF Liquidity as of such Second ECF Payment Date, calculated on a pro forma basis assuming that the entire Remaining ECF Payment Amount for such fiscal year was paid on such Second ECF Payment Date, is less than $10,000,000, then the Borrowers shall have the option (exercisable by delivery of written notice thereof delivered by the Borrower Agent to the Administrative Agent on or prior to such Second ECF Payment Date) to either:

(i) make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) on such Second ECF Payment Date in an amount equal to the Remaining ECF Payment Amount for such fiscal year; or

(ii) elect to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date; and

(C) if, pursuant to clause (B) above, the Borrowers shall have duly elected to defer the obligation of the Borrowers' to prepay the Remaining ECF Payment Amount until the Third ECF Payment Date, then, on September 30 of such fiscal year (or, if such date is not a Business Day, on the next succeeding Business Day) (the "Third ECF Payment Date"), the Borrowers shall make a mandatory prepayment of Term Loans under this Section 2.1(g)(3) in an amount equal to the Remaining ECF Payment Amount for such fiscal year.

(4) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds from (i) any Casualty Event or (ii) any Asset Disposition (other than an Asset Disposition permitted under clause (a), (b), (c), (d), (f), (g), (h) , (i), (j) or (l) of Section 6.4), the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds; provided that the foregoing prepayment obligation shall not apply to the extent such Net Cash Proceeds, are reinvested or committed to be reinvested in other assets or property useful in the business of the Borrowers and their Subsidiaries within 180 days of the receipt of such Net Cash Proceeds, and if so committed to be reinvested, reinvested no later than ninety (90) days after the end of such 180 day period (provided, that, in the event that the property or asset that was subject to such Casualty Event or Asset Disposition was Term Loan Priority Collateral, any property or asset in which such Net Cash Proceeds are so reinvested must be Term Loan Priority Collateral)~~; provided, further, that the foregoing prepayment obligation shall not apply to the extent that (A) such Net Cash Proceeds are received by the Loan Parties in connection with a Permitted Colorado Property Sale-Leaseback, (B) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Borrower Agent shall have delivered to the Administrative Agent a certificate certifying that (i) no Default or Event of Default exists on the date of the consummation of such Permitted Colorado Property Sale-Leaseback or would result therefrom, (ii) after giving effect to such Permitted Colorado Property Sale-Leaseback on a Pro Forma Basis, the Total Net Leverage Ratio for the most recently ended Test Period does not exceed 4.00:1.00, and (iii) the Loan Parties will, within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, apply 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations, and (C) within five (5) Business Days following the consummation of such Permitted Colorado Property Sale-Leaseback, the Loan Parties shall have applied 100% of such Net Cash Proceeds to make a prepayment of Revolving Loan Obligations~~.

(5) Concurrently with the receipt by Holdings or any of its Subsidiaries of Net Cash Proceeds of any Indebtedness (except for Permitted Indebtedness) by Holdings or any of its Subsidiaries, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Net Cash Proceeds.

(6) ~~[Reserved]~~Concurrently with the receipt by a Borrower of Equity Cure Contributions, the Borrowers shall make a mandatory prepayment of the Term Loans in an amount equal to 100.0% of such Equity Cure Contributions.

(7) Concurrently with a Change of Control or a sale of all or substantially all of the assets of the Borrowers and their Subsidiaries (taken as a whole) in a single or a series of related transactions occurs, the Borrowers shall prepay the Term Loans, plus accrued and unpaid interest thereon, together with any other then outstanding Obligations.

(8) Any prepayment of Term Loans pursuant to Sections 2. 1(g)(1)(i), 2.1(g)(4)(ii) (in the case of Section 2.1(g)(4)(ii), solely to the extent such prepayment is made with respect to a Major Asset Disposition), 2.1(g)(5) or 2.1(g)(7), effected on or prior to the date that is 18 months following the Closing Date shall be accompanied by a fee payable to the Lenders in an amount equal to the applicable Call Premium. Such fee shall be paid by the Borrowers to the Administrative Agent, for the account of the Lenders, on the date of such prepayment. Each prepayment made pursuant to Section 2.1(g) shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. To the extent applicable, the Borrowers shall reimburse the Lenders and the Administrative Agent on demand for amounts set forth in and, to the extent required by, Section 10.5. The Borrower Agent shall give the Administrative Agent prior written notice of any event or circumstances reasonably likely to give rise to a mandatory prepayment obligation under this Section 2.1(g) (including the date and an estimate of the aggregate amount of such mandatory prepayment) at least five (5) Business Days prior thereto); provided that the failure to give such notice shall not constitute a Default or an Event of Default but shall not relieve the Borrowers of their obligation to make such mandatory prepayments.

**2.2 Election by Borrower Agent**.

(a) Interest Rate for Term Loans. The Borrower Agent may, upon irrevocable written notice to the Administrative Agent delivered at least three Business Days prior to such conversion or continuation, elect (i) as of any Business Day, to convert any Term Loans (or any part thereof in an aggregate amount of not less than $100,000 or a higher integral multiple of $50,000) into Credit Loans of the other type or (ii) as of the last day of the applicable Interest Period, to continue any LIBOR Rate Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $50,000) for a new Interest Period; provided, that any conversion of a LIBOR Rate Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 10.5.

(b) Lenders' Records. The Borrowers hereby irrevocably authorize the Administrative Agent to make, or cause to be made, an appropriate notation on the Register, reflecting the date and original principal amount of each Term Loan made by any Lender, the dates for each period when such Term Loan is being maintained as a LIBOR Rate Loan, the interest rate for each such period and the dates of principal and interest payments on such Term Loan. The Register shall be conclusive evidence of the status of such Lender's Term Loans, absent manifest error. Failure to make any such notation shall not affect the Borrowers' obligations in respect of such Term Loans.

**2.3 Payments**. Any other provision of this Agreement to the contrary notwithstanding, the Borrowers shall make each payment of interest on and principal of the Notes, and fees and other payments due under this Agreement (except as otherwise expressly provided herein), in immediately available funds to the Administrative Agent at its office referred to in Section 9.3 not later than 2:00 p.m. on the date when due. Subject to Section 10.1 (Taxes) hereof, payments by the Borrowers under this Agreement shall be made without offset, counterclaim or other deduction and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes. The Administrative Agent will promptly thereafter distribute like funds ratably to each Lender (unless such amount is not to be shared ratably in accordance with the terms hereof).

**2.4 Setoff; etc**. Upon the occurrence and during the continuance of an Event of Default, each Lender and the Administrative Agent are hereby authorized at any time and from time to time, without prior notice to the Borrowers (any such notice being expressly waived by the Borrowers), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or Administrative Agent to or for the credit or the account of any Borrower or any of the other Loan Parties, including specifically any amounts held in any account maintained at such Lender or Administrative Agent, against amounts then due to the Administrative Agent or the Lenders, or any of them, by any Borrower or any of the other Loan Parties in connection with this Agreement or any Loan Document; provided that no Lender shall exercise any such right without the prior written consent of the Administrative Agent (at the direction of the Required Lenders). The rights of the Lenders and the Administrative Agent under this Section 2.4 are in addition to other rights and remedies (including other rights of set-off) which the Lenders and the Administrative Agent may have under applicable law. Each Lender and the Administrative Agent agrees, severally and not jointly, to use reasonable efforts to notify the Borrower Agent of any exercise of its rights pursuant to this Section 2.4, provided, however, that failure to provide such notice shall not affect any Lender's or the Administrative Agent's rights under this Section 2.4 or the effectiveness of any action taken pursuant hereto; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.9 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees to notify the Borrower Agent and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

**2.5 Sharing**. If any Lender shall obtain any payment (whether voluntary, involuntary, by application of offset or otherwise) on account of the Term Loans made by it in excess of such Lender's ratable share of payments on account of the Term Loans obtained by all the Lenders, such Lender shall purchase from the other Lenders such participations in the Term Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided that, (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and (ii) the provisions of this Section 2.5 shall not be construed to apply to any payment made by or on behalf of a Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender). The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.5 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right to setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

**2.6** **Fees**. The Borrowers shall pay to the Administrative Agent for its own account or for the account of the Lenders, as specified therein, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever. Notwithstanding anything to the contrary set forth in Section 2.1(g), in the event that any Borrower shall make either (i) any prepayment in full of the Term Loans or (ii) any prepayment of the Term Loans that results in the outstanding principal balance of the Term Loans being less than $40,000,000, the Borrowers shall pay a fee to the Lenders, on the date of any such prepayment, in an aggregate amount equal to $2,000,000. Such fee shall be paid by Borrowers to the Administrative Agent, for the account of the Lenders, in cash on the date of such prepayment.

**2.7** **Lending Branch**. Subject to the provisions of Section 10.6(a), each Lender may, at its option, elect to make, fund or maintain its Term Loans hereunder at the branch or office specified on the signature pages hereto or such other of its branches or offices as such Lender may from time to time elect.

**2.8** **Application of Payments and Collections**.

(a) Order of Application of Payments. Subject to the Intercreditor Agreement and the provisions of subsection (b) below, all payments and prepayments and any other amounts received by the Administrative Agent from or for the benefit of the a Borrower shall be applied, first to pay principal of and interest on any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers, second ratably to pay all other Obligations in respect of fees, expenses, reimbursements or indemnities then due and payable, third ratably to pay interest then due in respect of the Term Loans, and fourth to pay the principal of the Term Loans then due and payable.

(b) Application of Payments After an Event of Default. Subject to the Intercreditor Agreement, after the occurrence of an Event of Default and while the same is continuing, the Administrative Agent shall, unless the Administrative Agent and the Lenders shall agree otherwise, apply all payments and prepayments in respect of any Obligations in the following order:

(1) to pay interest on and then principal of any portion of the Term Loans which the Administrative Agent may have advanced on behalf of any Lender for which the Administrative Agent has not then been reimbursed by such Lender or the Borrowers;

(2) to pay Obligations in respect of any fees, expense reimbursements or indemnities then due to the Administrative Agent;

(3) ratably to pay Obligations in respect of any fees, expenses, reimbursements or indemnities (other than principal and interest) payable to the Lenders;

(4) to the payment of interest on all Term Loans and any amounts due pursuant to Sections 10.4 and 10 .5, to be allocated among the Lenders pro rata based on the respective aggregate amounts of such accrued interest and amounts owed to them; and

(5) to the payment of the outstanding principal amounts of all Term Loans and Obligations under Rate Hedging Obligations to be allocated among the Lenders, pro rata based on the respective outstanding principal amounts described in this clause (5) payable to them.

(c) Each of the Lenders hereby irrevocably designates the Administrative Agent its attorney in fact for the purpose of receiving any and all payments to be made to such Lender in respect of Obligations held by it, and hereby directs each payor of any such payment to make such payment to the Administrative Agent. Each of the Lenders hereby further agrees that if, notwithstanding the foregoing, it should receive any such payment (including by set-off), it shall hold such payment in trust for, and promptly deliver such payment to, the Administrative Agent.

(d) The Administrative Agent shall promptly distribute to each Lender at its primary address set forth on the appropriate signature page hereof or at such other address as a Lender may notify the Administrative Agent in writing, such funds as such Lender may be entitled to receive.

**2.9 Defaulting Lenders.**

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(1) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 9.1.

(2) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 2.4 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower Agent may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower Agent, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and sixth, to such Defaulting Lender or as otherwise as may be required under the Loan Documents in connection with any Lien conferred thereunder or directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Term Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Term Loans were made at a time when the conditions set forth in Section 3.1 were satisfied or waived, such payment shall be applied solely to pay the Term Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Term Loans of such Defaulting Lender until such time as all Term Loans are held by the Lenders pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower Agent and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Term Loans to be held on a pro rata basis by the Lenders in accordance with their respective Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of a Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

**2.10 Joint and Several Liability**.

(a) Joint and Several Liability. All Term Loans made to the Borrowers (or assumed by the Borrowers pursuant to the Assumption Agreement) and all of the other Obligations of the Borrowers, including all interest, fees and expenses with respect thereto and all indemnity and reimbursement obligations hereunder, shall constitute one joint and several direct and general obligation of all of the Borrowers. Notwithstanding anything to the contrary contained herein, each of the Borrowers shall be jointly and severally, with each other Borrower, directly and unconditionally, liable for all Obligations, it being understood that the advances to each Borrower inure to the benefit of all Borrowers, and that the Administrative Agent and the Lenders are relying on the joint and several liability of the Borrowers as co-makers in extending the Term Loans hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Obligation, it will forthwith pay the same, without notice or demand, unless such payment is then prohibited by applicable Law.

(b) No Reduction in Obligations. No payment or payments made by any of the Borrowers or any other Person or received or collected by the Administrative Agent or any Lender from any of the Borrowers or any Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of each Borrower under this Agreement for the remaining Obligations, which shall remain liable for all remaining and thereafter arising Obligations until the payment in full in cash of the Obligations and the Commitments are terminated.

(c) Obligations Absolute. Each Borrower agrees that the Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto, unless such payment is then prohibited by applicable Law. All Obligations shall be conclusively presumed to have been created in reliance hereon. The liabilities of the Borrowers under this Agreement shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto, (ii) any change in the time, manner or place of payments of, or in any other term of, all or any part of the Obligations, or any other amendment or waiver thereof or any consent to departure therefrom, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise, (iii) any taking, exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Obligations, (iv) any change, restructuring or termination of the corporate structure or existence of any Loan Party, or (v) any other circumstance which would otherwise constitute a defense available to, or a discharge of, any Loan Party, other than payment in full in cash of the Obligations.

(d) Waiver of Suretyship Defenses. Each Borrower agrees that the joint and several liability of the Borrowers provided for in this Section 2.10 shall not be impaired or affected by any modification, supplement, extension or amendment of any contract or agreement to which the other Borrowers may hereafter agree (other than an agreement signed by the Administrative Agent and the Lenders specifically releasing such liability), nor by any delay, extension of time, renewal, compromise or other indulgence granted by the Agent or any Lender with respect to any of the Obligations, nor by any other agreements or arrangements whatever with the other Borrowers or with anyone else, each Borrower hereby waiving all notice of such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consenting to be bound thereby as fully and effectually as if it had expressly agreed thereto in advance. The liability of each Borrower is direct and unconditional as to all of the Obligations, and may be enforced without requiring the Administrative Agent or any Lender first to resort to any other right, remedy or security. Each Borrower hereby expressly waives promptness, diligence, notice of acceptance and any other notice (except to the extent expressly provided for herein or in another Loan Document) with respect to any of the Obligations, this Agreement or any other Loan Documents and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any Collateral.

(e) Contribution and Indemnification among the Borrowers. Each Borrower is obligated to repay the Obligations as joint and several obligors under this Agreement. To the extent that any Borrower shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Term Loans made to another Borrower hereunder or other Obligations incurred directly and primarily by any other Borrower (an "Accommodation Payment"), then the Borrower making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Borrowers in an amount, for each of such other Borrowers, equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Borrower's "Allocable Amount" (as defined below) and the denominator of which the sum of the Allocable Amounts of all of the Borrowers. As of any date of determination, the "Allocable Amount" of each Borrower shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Borrower hereunder without (i) rendering such Borrower "insolvent" within the meaning of Section 101(31) of Title 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code"), Section 2 of the Uniform Fraudulent Transfer Act (the "UFTA"), or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (ii) leaving such Borrower with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 4 of the UFCA, or (iii) leaving such Borrower unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA. Each Borrower hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Loan Party, howsoever arising, to the payment in full in cash of its Obligations.

**2.11** **Borrower Agent**. Each Borrower hereby designates (a) at all times prior to the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, the Initial Borrower and (b) upon and at all times after the consummation of the Hydrofarm Acquisition and the execution and delivery of the Assumption Agreement, Hydrofarm (the " Borrower Agent") as its representative and agent for all purposes under the Loan Documents, including requests for and receipt of Term Loans, designation of interest rates, delivery or receipt of communications, payment of Obligations, requests for waivers, amendments or other accommodations, actions under the Loan Documents (including in respect of compliance with covenants), and all other dealings with the Administrative Agent or any Lender. Borrower Agent hereby accepts such appointment. The Administrative Agent and Lenders shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication (including any notice of borrowing) delivered by Borrower Agent on behalf of any Borrower. The Administrative Agent and Lenders may give any notice or communication with a Borrower hereunder to Borrower Agent on behalf of such Borrower. Each of the Administrative Agent and Lenders shall have the right, in its discretion, to deal exclusively with Borrower Agent for all purposes under the Loan Documents. Each Borrower agrees that any notice, election, communication, delivery, representation, agreement, action, omission or undertaking by Borrower Agent shall be binding upon and enforceable against such Borrower.

## ARTICLE III
## CONDITIONS PRECEDENT

**3.1** **Conditions Precedent to Term Loans on the Closing Date**. The obligation of each Lender to make the Term Loans on the Closing Date shall be subject only to the following conditions precedent, each to the satisfaction of, and as determined by, Administrative Agent and Lenders (including, with respect to any documents or agreements referred to below, that such documents or agreements are in form and substance reasonable and customary for transactions of the type contemplated by this Agreement):

(a) The Administrative Agent shall have received copies (in sufficient number for each of the Lenders to receive a copy) of all of the following, each dated the Closing Date or such earlier date as approved by the Administrative Agent:

(1) This Agreement, appropriately completed and duly executed by the parties hereto;

(2) The Notes, to the extent requested, appropriately completed and duly executed by the Borrowers;

(3) The Guaranty, appropriately completed and duly executed and delivered by each of the Guarantors;

(4) The Security Agreement, appropriately completed and duly executed by the parties thereto;

(5) Uniform Commercial Code financing statements authorized by the applicable Loan Party as debtor, and naming the Administrative Agent as secured party with respect to the Collateral;

(6) Favorable legal opinions of Perkins Coie LLP, special counsel to the Loan Parties, addressed to the Administrative Agent and each of the Lenders, acceptable to Administrative Agent in its reasonable discretion, as to such matters as are reasonably required by Administrative Agent with respect to the Loan Parties and this Agreement, each of the Security Documents executed on the Closing Date and the other Loan Documents and covering such other matters relating to the Loan Documents as the Administrative Agent shall reasonably request;

(7) A closing certificate executed by a Responsible Officer of the Borrower Agent, certifying in the name of and on behalf of the Borrower Agent as to the items set forth in Section 3.1(d), (e), (f), (g), (h), (j), (k), (l) and (m);

(8) A certificate executed by a Responsible Officer or member of each Loan Party, certifying in the name of and on behalf of such Loan Party that (A) a true, correct and complete copy of its charter document, with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (B) a true, correct and complete copy of its operating agreement or bylaws, with all amendments thereto, is attached to the certificate, (C) a correct and complete copy of the resolutions of its members or shareholders authorizing the execution, delivery and performance of the Loan Documents to which it is a party are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (D) a certificate of good standing dated within a reasonably close period of time prior to the Closing Date for such Loan Party issued by the Secretary of State or similar state official for the state in which such Loan Party is incorporated, formed or organized and (E) signature and incumbency certificates of its officers executing any of the Loan Documents, all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification;

(9) On the Closing Date after giving effect to the initial funding of the Term Loans and the initial funding under the Revolving Loan Facility, the Loan Parties shall have (x) no outstanding Indebtedness other than the Term Loans funded on the Closing Date and other Permitted Indebtedness, and (y) no Liens outstanding other than Permitted Liens;

(10) Duly executed payoff letters and UCC-3 termination statements with respect to any Liens which are not Permitted Liens upon any Property of the Loan Parties or any of their Subsidiaries, including for the avoidance of doubt all payoff letters and UCC-3 termination statements as are necessary to effect the Refinancing;

(11) A certificate, duly executed by a Responsible Officer of Borrower Agent, certifying as to the solvency on the Closing Date of Holdings and its Subsidiaries;

(12) The Acquisition Documents for the Hydrofarm Acquisition and an assignment and/or contribution to the Loan Parties of Holdings' rights under the Acquisition Documents, including, without limitation, any escrow accounts or representation and warranty insurance entered into in connection therewith, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(13) The Revolving Loan Documents, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(14) Administrative Agent shall have received, in each case in form and substance reasonably satisfactory to Administrative Agent, evidence of property, business interruption and liability insurance covering each Loan Party (provided that to the extent the appropriate endorsements naming Administrative Agent as lender's loss payee on all policies for property hazard insurance and as additional insured on all policies for liability insurance cannot be delivered by the Closing Date, they should be required to be delivered to the extent required under Section 5.12); and

(15) A Notice of Borrowing appropriately completed and duly executed by the Borrowers.

(b) The Borrowers shall have paid all fees due on or prior to the Closing Date in accordance with the provisions of Section 2.6 which payment shall be nonrefundable (which amounts, in the case of fees payable to Administrative Agent and Lenders and at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date).

(c) The Borrowers shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of the Loan Documents and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Agreement and the Loan Documents, which payment shall be nonrefundable to the extent required by Section 9.4 and which payment, at the option of the Borrowers (but subject to the consent of the Administrative Agent and the Lenders), may be offset or net funded against the proceeds of the Term Loan made on the Closing Date.

(d) The Hydrofarm Acquisition shall have been, or substantially concurrently with the initial borrowing under this Agreement and shall be, consummated in accordance with the Hydrofarm Acquisition Agreement, without giving effect to any modifications, supplements, amendments or express waivers or consents thereto that are materially adverse to Lenders in their capacities as such without the consent of Administrative Agent (it being understood and agreed that (a) any modification, amendment or waiver to the definition of "Material Adverse Effect" or any similar term contained in the Hydrofarm Acquisition Agreement shall require consent of the Administrative Agent and the Lenders, (b) any increase in the purchase price shall not require consent of the Administrative Agent and the Lenders so long as such increase shall be funded by an increase in the Closing Equity Contribution, and (c) any modification, amendment or waiver to any provision of the Hydrofarm Acquisition Agreement to which the Lenders are a third party beneficiary pursuant to the terms thereof (including, without limitation, Section 12.8 of the Hydrofarm Acquisition Agreement) shall require consent of the Administrative Agent and the Lenders).

(e) The Specified Acquisition Agreement Representations shall be true and correct in all respects on and as of the Closing Date.

(f) The Specified Representations shall be true and correct in all material respects (except for representations and warranties that are already qualified as to materiality, which representations and warranties shall be true and correct in all respects after giving effect to such materiality qualifier) on and as of, and after giving effect to the making of the Term Loans and the consummation of the other Transactions on, the Closing Date.

(g) Since December 31, 2015, there shall not have occurred any change, effect, condition or state of facts that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect (as defined in the Hydrofarm Acquisition Agreement).

(h) The Refinancing shall be consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(i) Each Borrower and each of the Guarantors shall have provided the documentation and other information to the Administrative Agent (to the extent reasonably requested by the Administrative Agent in writing at least five (5) Business Days prior to the Closing Date) that are required by regulatory authorities under the applicable "know-your-customer" rules and regulations, including the PATRIOT Act, in each case at least two (2) Business Days prior to the Closing Date.

(j) The Consolidated EBITDA of Holdings and its Subsidiaries, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, for the twelve month period ending February 28, 2017, shall not be less than $25,000,000.

(k) The Total Net Leverage Ratio as of the Closing Date, after giving effect to the making of the Term Loans and the consummation of the other Transactions on a Pro Forma Basis, shall not be greater than 4.27:1.00.

(l) An initial borrowing of Revolving Loans under the Revolving Loan Documents providing net proceeds to the Loan Parties of not more than $30,000,000 shall have occurred substantially simultaneously with the funding of the Term Loans and, immediately after giving effect to such initial borrowing, the Loan Parties shall have "Excess Availability" (as defined in the Revolving Loan Documents) of at least $10,000,000 under the Revolving Loan Facility.

(m) The Closing Equity Contribution shall have been consummated on the Closing Date at or substantially simultaneously with the funding of the Term Loans.

(n) The Administrative Agent shall have received (i) a pro forma balance sheet of Hydrofarm and its Subsidiaries dated as of the Closing Date and giving effect to the Hydrofarm Acquisition, which such balance sheet shall reflect no material change from the most recent pro forma balance sheet of Hydrofarm and its Subsidiaries previously delivered to the Administrative Agent, and (ii) financial projections (prepared on a fiscal monthly basis) of Hydrofarm and its Subsidiaries evidencing the Loan Parties' ability to comply with the financial covenants set forth in Section 6.1.

(o) The Administrative Agent will have received the Historical Financial Statements.

(p) The Closing Date shall occur on or before the Outside Date.

(q) Subject to Section 3.2, the Administrative Agent shall have received (i) the certificates, as applicable, representing the Equity Interests pledged pursuant to the Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and such other documents required by the Security Agreement in respect thereof, and (ii) all duly prepared financing statements on form UCC-1 and all other documents, instruments, filings, recordings, and registrations required to perfect the Liens created by the Security Documents, in sufficient copies and in form adequate to effect all such filings, recordings, and registrations.

**3.2 Perfection on the Closing Date**. Notwithstanding anything to the contrary herein, to the extent a perfected security interest in any Collateral (other than (i) any security interest that can be perfected by means of the filing of a UCC financing statement or by short-form intellectual property filings with the United States Patent and Trademark Office and the United States Copyright Office, and (ii) the pledge and perfection of security interests in the Equity Interests of the Borrowers and their Subsidiaries with respect to which a Lien may be perfected by the delivery of a stock or equity certificate) is not or cannot be provided on the Closing Date after the Initial Borrower's use of commercially reasonable efforts to do so or without undue burden or expense, then the perfection of such security interests shall not constitute a condition precedent to the making of the Term Loans on the Closing Date, but instead shall be required to be delivered after the Closing Date in accordance with Section 5.12.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES

Each of the Loan Parties represents and warrants to the Administrative Agent and each of the Lenders that as of the Closing Date:

**4.1 Organization; etc**. Each Loan Party and each of their respective Subsidiaries is a limited liability company, corporation or other organization, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its organization, has full power and authority to own its property and conduct its business as conducted by it and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing could not reasonably be expected, in the aggregate, to result in a Material Adverse Effect. As of the Amendment No. 2 Effective Date (immediately after giving effect to the Asset Acquisition), a list of jurisdictions in which each such Loan Party and each such Subsidiary is, and after giving effect to the Share Purchase will be, qualified to do business is set forth in **Schedule 4.1**. Each Loan Party has full power and authority to enter into and to perform its obligations under the Loan Documents to which it is a party and, in the case of the Borrowers only, to request and borrow the Term Loans under this Agreement. Each Loan Party and each of their respective Subsidiaries has all licenses, permits and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its Property, except for permits, licenses, and rights the failure of which to have or obtain could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

**4.2 Due Authorization**. The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party and the consummation by such Loan Party of each of the Transactions (a) have been duly authorized by all necessary corporate or limited liability company action, as the case may be, (b) do not and will not conflict with, result in any violation of or constitute any default under (i) any provision of the Organic Documents of such Loan Party, (ii) any Material Contract binding on or applicable to such Loan Party, or (iii) any law or governmental regulation or court decree or order binding upon or applicable to such Loan Party or any of its Property and (c) will not result in the creation or imposition of any Lien on any of such Loan Party's Property pursuant to the provisions of any agreement binding on or applicable to such Loan Party, or any of its Property, except any such Liens created pursuant to the Security Documents in favor of the Administrative Agent, for the benefit of the Secured Parties, and Permitted Liens.

**4.3** **Subsidiaries**. As of the Amendment No. 2 Effective Date (immediately after giving effect to the Asset Acquisition), no Loan Party has any Subsidiaries, and after giving effect to the Share Acquisition no Loan Party will have any Subsidiaries, except those listed on Schedule 4.3, which correctly sets forth the name of each Subsidiary, the jurisdiction of its incorporation, formation or organization and the percentage ownership of each Subsidiary which is owned, of record or beneficially, by such Loan Party and/or one or more of its Subsidiaries. Each Loan Party and its Subsidiaries has good and marketable title to all of the Equity Interests or Equity Interests Equivalents it owns in each of its Subsidiaries, free and clear of any Lien (other than any Liens in favor of the Administrative Agent for the benefit of the Secured Parties, Permitted Liens under Section 6.3(~~i~~h) and inchoate Permitted Liens) and all such Equity Interests and Equity Interests Equivalents have been duly issued and are fully paid and non-assessable. Each Loan Party has full power and authority to own and operate its properties, to carry on its business as now conducted and to enter into and perform the Loan Documents to which it is a party. Each Loan Party has all licenses, permits, and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its properties, except for permits, licenses, and rights the failure of which to have or obtain, individually or in the aggregate, is not, and could not reasonably be expected to result in, a Material Adverse Effect.

**4.4** **Validity of the Agreement**. Each Loan Document is the legal, valid and binding obligation of each Loan Party and is enforceable in accordance with its terms except that, as to enforcement of remedies, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' and secured parties' rights generally or by equitable principles relating to enforceability, regardless of whether considered in equity or at law.

**4.5** **Financial Statements**. The Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein; and (ii) fairly present the financial condition of the Acquired Company as of the dates thereof and their results of operations for the periods covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby (except as otherwise expressly noted therein and, in the case of quarterly financial statements, subject to the absence of footnotes.

**4.6** **Litigation; etc**. Except as set forth on **Schedule 4.6**, there is no action, suit, claim, demand, disputes, cause of action, proceeding, arbitration or investigation at law or equity, or before or by any federal, state, local or other governmental department, commission, court, tribunal, board, bureau, agency or instrumentality, domestic or foreign, pending, or to the Knowledge of the Loan Parties, threatened in writing, against or affecting any Loan Party or any of their Subsidiaries or any of their respective Properties, (i) that involve any Loan Document or the Transactions, or (ii) which if determined adversely could reasonably be expected to result in a Material Adverse Effect.

**4.7** **Compliance with Law**. No Loan Party nor any of their Subsidiaries is (a) in default or breach with respect to any judgment, order, writ, injunction, rule, regulation or decree of any court, governmental authority, department, commission, agency or arbitration board or tribunal or (b) in violation of any law, rule, regulation, ordinance or order relating to its or their respective businesses, in each case of clause (a) and (b) above, the breach, default or violation of which could reasonably be expected to result in a Material Adverse Effect. There have been no citations, notices or orders of material noncompliance issued to any Loan Party or Subsidiary under any applicable Law. To the Knowledge of the Loan Parties, no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary (other than a Canadian Subsidiary)), sells any products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**4.8** **ERISA Compliance**. Except as set forth on **Schedule 4.8**:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other federal and state laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the Knowledge of the Loan Parties, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Loan Party and ERISA Affiliate has met all applicable requirements under the Code, ERISA and the Pension Protection Act of 2006, and no application for a waiver of the minimum funding standards or an extension of any amortization period has been made by any Loan Party or ERISA Affiliate with respect to any Pension Plan.

(b) There are no pending or, to the Knowledge of the Loan Parties, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to have a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur, (ii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and no Loan Party or ERISA Affiliate knows of any reason that such percentage could reasonably be expected to drop below 60%, (iii) no Loan Party or ERISA Affiliate has incurred any liability to the PBGC except for the payment of premiums, and no premium payments are due and unpaid, (iv) no Loan Party or ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA, and (v) no Pension Plan has been terminated by its plan administrator or the PBGC, and no fact or circumstance exists that could reasonably be expected to cause the PBGC to institute proceedings to terminate a Pension Plan.

(d) With respect to any Foreign Plan, (i) all employer and employee contributions required by law or by the terms of the Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices, (ii) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance, or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles, and (iii) it has been registered as required and has been maintained in good standing with applicable regulatory authorities.

(e) No Canadian Employee Plan provides for medical, life or other welfare benefits (through insurance or otherwise), with respect to any current or former employee of any Canadian Subsidiary or any Affiliate thereof after retirement or other termination of service (other than coverage mandated by Law or coverage provided through the end of the month containing the date of termination from service or otherwise where part of a severance package or with respect to injured or disabled employees). The Loan Parties and their Subsidiaries are in compliance in all material respects with the requirements of the PBA and any binding FSCO requirements of general application with respect to each Canadian Pension Plan and in material compliance with any FSCO directive or order directed specifically at a Canadian Pension Plan. No Canadian Pension Plan has any unfunded liability, solvency deficiency or wind up deficiency or otherwise has its present value benefit liabilities determined on a plan termination basis in accordance with actuarial assumptions in excess of the current value of its assets. No fact or situation that may reasonably be expected to result in a Material Adverse Effect exists in connection with any Canadian Pension Plan. No Loan Party or Subsidiary contributes to or participates in a Canadian Multi -Employer Plan. No Loan Party or an Affiliate thereof maintains, contributes or has any liability with respect to a Canadian Defined Benefit Pension Plan. No Termination Event has occurred. All contributions required to be made by any Loan Party or Subsidiary to any Canadian Pension Plan have been made in a timely fashion in accordance with the terms of such Canadian Pension Plan and the PBA. No Lien has arisen, choate or inchoate, in respect of any Loan Party or Subsidiary or their property in connection with any Canadian Pension Plan (save for contribution amounts not yet due).

**4.9** **Title to Assets**. Each Loan Party and each of their respective Subsidiaries holds or will hold good title to all of its Property (including, without limitation, good record title to any owned Real Property in fee simple and good, legal and marketable title to any equipment and other personal Property) in each case, free and clear of all Liens except for Permitted Liens. No Real Property is located in a special flood hazard zone, except as disclosed on **Schedule 4.9**. Each Loan Party and Subsidiary has paid and discharged all lawful claims that, if unpaid, could become a Lien on its Properties, other than Permitted Liens. Except for Uniform Commercial Code financing statements evidencing Permitted Liens, no financing statement under the Uniform Commercial Code as in effect in any jurisdiction and no other filing which names any Loan Party or any of their Subsidiaries as debtor or which covers or purports to cover any of their respective Property, will be effective and on file in any state or other jurisdiction, and no Loan Party nor any of their respective Subsidiaries will sign or authorize any such financing statement or filing or any security agreement authorizing any secured party thereunder to file any such financing statement or filing other than in respect of Permitted Liens.

**4.10** **Use of Proceeds**. Proceeds of the Term Loans, together with the proceeds of the Closing Equity Contribution and the initial borrowing of Revolving Loans under the Revolving Loan Documents, will be used to fund (i) the purchase price of the Hydrofarm Acquisition, which will be consummated on the Closing Date substantially concurrently with the funding of the Term Loans, (ii) the Refinancing, (iii) the payment of fees, premiums, accrued and unpaid interest, expenses and other similar transaction costs related to the foregoing and (iv) to the extent any proceeds of the Term Loans remain after such proceeds are applied to the purposes set forth in the foregoing clauses (i) through (iii), ongoing working capital requirements of the Borrowers and their Subsidiaries and for other general corporate purposes.

**4.11** **Governmental Regulation**. No Loan Party, nor any of their respective Subsidiaries, is required to obtain any consent, approval, authorization, permit or license which has not already been obtained from, or effect any filing or registration (other than the filing of the Uniform Commercial Code financing statements) which has not already been effected with, any federal, state or local regulatory authority in connection with the execution and delivery of this Agreement or any other Loan Document, the performance, in accordance with their respective terms, of this Agreement or any other Loan Document, or the consummation of the Transactions.

**4.12** **Margin Stock**. No part of any Term Loans shall be used at any time by any Loan Party or any of their respective Subsidiaries to purchase or carry margin stock (within the meaning of Regulations T, U and X) or to extend credit to others for the purpose of purchasing or carrying any margin stock. No Loan Party, nor any of their respective Subsidiaries, is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying any such margin stock. No part of the proceeds of any Term Loans will be used by any Loan Party or any of their respective Subsidiaries for any purpose which violates, or which is inconsistent with, any regulations promulgated by the Board of Governors of the Federal Reserve System.

**4.13** **Not a Regulated Entity**. No Loan Party, nor any of their respective Subsidiaries, is (a) registered or required to be registered as an "investment company," or an "affiliated person" of, or a "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other applicable Law regarding its authority to incur Indebtedness. The making of the Term Loans, the application of the proceeds and repayment thereof by the Borrowers and the performance by each Loan Party of the transactions contemplated by this Agreement and each of the other Loan Documents will not violate any provision of said Laws, or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

**4.14** **Accuracy of Information**. All written information heretofore furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders for purposes of or in connection with this Agreement or any other Loan Document or any transaction contemplated by this Agreement or any of the other Loan Documents is, and all other such information furnished by or on behalf of such Loan Party to the Administrative Agent is, when considered as a whole, complete and correct in all material respects and did not, when delivered, contain any untrue statement of material fact or omit to state a fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements have been made (after giving effect to all supplements thereto).

**4.15** **Tax Returns; Audits**. Each Loan Party and each of their respective Subsidiaries has filed all material federal, provincial, state and local and foreign tax returns and other material reports which are required to be filed, and has paid all material taxes as shown on said returns and on all assessments received by any such Person (except for any assessments which are being Properly Contested), to the extent that such taxes have become due or has obtained extensions with respect to the filing of such returns and has made provision in accordance with GAAP for the payment of taxes anticipated to be payable in connection with such returns. Each Loan Party and each of their respective Subsidiaries has made all material required withholding deposits.

**4.16** **Environmental and Safety Regulations**. Each Loan Party and each of their respective Subsidiaries is in compliance with all requirements of applicable federal, state and local Environmental Laws except for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Except as disclosed on **Schedule 4.16**, no Loan Party's or Subsidiary's past or present operations, Real Property or other Properties are subject to any federal, state or local investigation to determine whether any remedial action is needed to address any environmental pollution, hazardous material or environmental clean-up. The Real Property and its intended use complies with all applicable laws, governmental regulations and the terms of any enforcement action by any federal, state, regional or local governmental agency regarding all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus under such laws, except in each case for any noncompliance which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Loan Party or Subsidiary has received any Environmental Notice. No Loan Party or Subsidiary has any contingent liability with respect to any Environmental Release, environmental pollution or hazardous material on any Real Property now or previously owned, leased or operated by it.

**4.17** **Payment of Wages; Labor Matters**. Each Loan Party and each of their respective Subsidiaries is in compliance with the Fair Labor Standards Act, as amended, in all material respects, and each Loan Party and each of their respective Subsidiaries has paid all minimum and overtime wages required by law to be paid to their respective employees. There are no strikes, work stoppages, slowdowns or lockouts existing, pending or, to the Knowledge of the Loan Parties, threatened against or involving any Loan Party or any Subsidiary of any Loan Party, except for those that could reasonably be expected to result in a Material Adverse Effect. Except as set forth on **Schedule 4.17**, (a) there is no collective bargaining or similar agreement with any union, labor organization, works council or similar representative covering any employee of any Loan Party or any Subsidiary of any Loan Party, (b) no petition for certification or election of any such representative is existing or pending with respect to any employee of any Loan Party or any Subsidiary of any Loan Party and (c) to the knowledge of any Loan Party, no such representative has sought certification or recognition with respect to any employee of any Loan Party or any Subsidiary of any Loan Party.

**4.18** **Intellectual Property** . Each Loan and Subsidiary owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Loan Party's Knowledge, threatened Intellectual Property Claim with respect to any Loan Party, any Subsidiary or any of its Property (including any Intellectual Property). Except as set forth on **Schedule 4.18**, no Loan Party or Subsidiary pays or owes any royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property owned, used or licensed by, or otherwise subject to any interests of, any Loan Party or Subsidiary is set forth on **Schedule 4.18**. To any Loan Party's knowledge, there is no third party Intellectual Property licensed to a Loan Party that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Loan Party, and no licensed third party Intellectual Property is necessary for the Administrative Agent to exercise its rights to enforce the Liens in favor of the Administrative Agent for the benefit of the Secured Parties with respect to the Term Loan Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

**4.19** **Projections**. The projections of the Borrowers, previously furnished to the Administrative Agent on March 22, 2017, have been prepared in the light of the past business history of the Borrowers and their Subsidiaries and on the basis of the assumptions set forth therein, which assumptions are in the opinion of the Borrowers reasonable at the time such budget projections were prepared (it being recognized that budget projections may differ from actual results and such differences may be material and such budget projections are subject to significant uncertainties and contingencies which are beyond the Borrowers' control and no assurance can be given that any particular projection will be realized).

**4.20** **Solvency**. After giving effect to the making of the Term Loans hereunder and the consummation of the other Transactions on the Closing Date, as of the Closing Date, the Loan Parties and their Subsidiaries taken as a whole are Solvent.

**4.21** **No Material Adverse Effect**. Since December 31, 2015, there has occurred no event which is or which could reasonably be expected to result in a Material Adverse Effect.

**4.22** **Brokers' Fees**. Except for fees payable to the Administrative Agent and the Lenders, none of the Loan Parties or any of their respective Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with the transactions contemplated hereby.

**4.23** **Deposit Accounts**. **Schedule 4.23** lists all banks and other financial institutions at which any Loan Party maintains deposit or other accounts as of the Closing Date, and such Schedule correctly identifies the name, address and any other relevant contact information reasonably requested by the Administrative Agent with respect to each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

**4.24** **Hydrofarm Acquisition Agreement**. As of the Closing Date, the Borrowers have delivered to the Administrative Agent a complete and correct copy of the Hydrofarm Acquisition Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other material documents delivered pursuant thereto or in connection therewith). The Hydrofarm Acquisition Agreement is in full force and effect as of the Closing Date and has not been terminated, rescinded or withdrawn. The consummation of the transactions contemplated by the Hydrofarm Acquisition Agreement on the Closing Date will not violate any statute or regulation of the United States (including any securities law) or of any state or other applicable jurisdiction, or any order, judgment or decree of any court or governmental body binding on any Loan Party or, to any Loan Party's knowledge, any other party to the Hydrofarm Acquisition Agreement, or result in a breach of, or constitute a default under, any material agreement, indenture, instrument or other document, or any judgment, order or decree, to which any Loan Party is a party or by which any Loan Party is bound or, to any Loan Party's Knowledge, to which any other party to the Transactions is a party or by which any such party is bound. To the Knowledge of the Loan Party's, the Hydrofarm Acquisition Agreement was duly executed and delivered by each other party thereto and is enforceable against such parties, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

**4.25** **Material Contracts**. All of the Material Contracts are in full force and effect and no Loan Party, nor any of their respective Subsidiaries, is in default under any Material Contract and, to the Knowledge of the Loan Parties, no other Person that is a party thereto is in default under any of the Material Contracts. There is no basis upon which any party (other than a Loan Party or Subsidiary) could terminate a Material Contract prior to its scheduled termination date.

**4.26** **Valid Liens**. The Security Agreement and each other Security Document delivered pursuant hereto will, upon execution and delivery thereof, be effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, to the secure the Obligations, legal, valid and enforceable Liens on, and security interests in, each Loan Party's right, title and interest in and to the Collateral thereunder, and, subject to the Intercreditor Agreement, (i) when all appropriate filings or recordings are made in the appropriate offices as may be required under applicable law and (ii) upon the taking of possession or control by the Administrative Agent of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Administrative Agent to the extent required by any Security Document), the Liens created by such Security Document will constitute fully perfected Liens on, and security interests in, all right, title and interest of each Loan Party in such Collateral having the priority set forth in the Intercreditor Agreement, in each case subject to no Liens other than the applicable Permitted Liens. All Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Term Loan Priority Collateral are duly perfected, first priority Liens and all Liens of the Administrative Agent, for the benefit of the Secured Parties, in the Revolving Loan Priority Collateral are duly perfected Liens having the priority set forth in the Intercreditor Agreement, in each case, subject only to Permitted Liens that are expressly allowed to have priority over the Liens of the Administrative Agent, for the benefit of the Secured Parties.

**4.27** **Foreign Assets Control Regulations and Anti-Money Laundering.** Each Loan Party and each of their respective Subsidiaries is in compliance in all material respects with all U.S. economic sanctions laws, Executive Orders and implementing regulations as promulgated by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), and all applicable anti-money laundering and counter- terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it. None of the Loan Parties, nor any of their respective Subsidiaries, (i) is a Person designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List ") with which a U.S. Person cannot deal with or otherwise engage in business transactions, (ii) is a Person who is otherwise the target of U.S. economic sanctions laws such that a U.S. Person cannot deal or otherwise engage in business transactions with such Person or (iii) is controlled by (including by virtue of such person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any person or entity on the SDN List or a foreign government that is the target of U.S. economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited under U.S. law.

**4.28** **Patriot Act**. The Loan Parties, each of their Subsidiaries and, to their knowledge, each of their Affiliates, are in compliance in all material respects with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department and any other enabling legislation or executive order relating thereto, (b) the Patriot Act and (c) other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations. No part of the proceeds of any Term Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

**4.29** **Surety Obligations**. No Loan Party or Subsidiary is obligated as surety or indemnitor under any bond or other contract that assures payment or performance of any obligation of any Person, except as permitted hereunder.

**4.30** **Trade Relations**. There exists no actual or threatened termination, limitation or modification of any business relationship between any Loan Party or Subsidiary and any customer or supplier, or any group of customers or suppliers, who individually or in the aggregate are material to the business of such Loan Party or Subsidiary. There exists no condition or circumstance that could reasonably be expected to impair the ability of any Loan Party or Subsidiary to conduct its business at any time hereafter in substantially the same manner as conducted on the Closing Date.

**4.31** **Holdings**. Holdings (a) has not engaged in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents, the HHG Note and the Related Agreements, (b) does not hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), and (c) has no liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, ~~Permitted Contingent Obligations~~the HHG Note and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents.

**4.32** **Revolving Loan Documents**. The Revolving Loan Documents dated as of the date hereof are being executed and delivered concurrently with the execution and delivery of this Agreement, true, correct and complete copies of which have been delivered to the Administrative Agent. The transactions contemplated by the Revolving Loan Documents comply in all material respects with all applicable Laws.

**4.33** **Insurance**. The Loan Parties and their Subsidiaries maintain insurance policies with respect to their respective properties and business, in each case in compliance with Section 5.7.

**4.34** **SBA Matters**. Each of Holdings and each Borrower acknowledges that Brightwood Capital SBIC I, LP is, and certain other Lenders may from time to time be or become, a Small Business Investment Company (as defined in the SBIA), subject to the rules and regulations contained in and promulgated under the SBIA. As of the Closing Date, each of Holdings and each Borrower, together with its "affiliates" (for purposes of this paragraph only, as that term is defined in Title 13, Code of Federal Regulations, §121.103), is a Small Business Concern (as defined in the SBIA). Neither Holdings nor any of its Subsidiaries presently engages in, and shall not hereafter engage in, any activities for which a Small Business Concern is prohibited from engaging in under the SBIA, nor shall any such Person use directly or indirectly the proceeds of the Term Loans for any purpose for which a Small Business Investment Company is prohibited from providing funds by the SBIA. The representations made by Holdings and each Borrower in the SBA forms delivered on the Closing Date pursuant to Section 5.13 (or such later date of delivery) shall be deemed to be representations made by Holdings and each Borrower as of the Closing Date (or such later date) under this Section 4.34.

## ARTICLE V
## CERTAIN AFFIRMATIVE COVENANTS

Each of the Loan Parties agrees with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loan shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**5.1** **Financial Information; etc**. The Borrowers will furnish to the Administrative Agent copies of the following financial statements, reports and information:

(a) as soon as available and in any event on or prior to September 29, 2017, a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of the Acquired Company for the fiscal year ended December 31, 2016, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of the Acquired Company in accordance with GAAP for such period;

(b) as soon as available and in any event within one hundred twenty (120) days (which period may, in the case of the fiscal year ending December 31, 2017, be extended by up to thirty (30) days in the reasonable discretion of the Administrative Agent) after the end of each fiscal year of the Borrowers (commencing with the fiscal year ending December 31, 2017), a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Holdings, the Borrowers and their Subsidiaries for such fiscal year, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit other than solely with respect to, or resulting solely from, an upcoming Maturity Date under the Term Loans, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period;

(c) as soon as available and in any event within thirty (30) days after the end of each fiscal quarterly period of each fiscal year of the Borrowers (or, for with respect to the last such quarterly period ending in any fiscal year, forty five (45) days after the end of such quarterly period), commencing with the fiscal quarter ended March 31, 2017, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Agent, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period, (subject to year-end adjustments and the lack of GAAP footnotes);

(d) as soon as available and in any event within thirty (30) days after the end of each of the first two fiscal months of each fiscal quarter of the Borrowers, consolidated and consolidating statements of operations and cash flows of Holdings, the Borrowers and their Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year;

(e) with each financial statement required by Section 5.1(b) and Section 5.1(c) (other than the last fiscal quarter of such year) to be delivered to the Administrative Agent, a Compliance Certificate signed by a Responsible Officer of the Borrower Agent;

(f) concurrently with delivery of financial statements under clauses (a), (b) and (c) above, a management report, in reasonable detail, signed by the chief financial officer of the Borrower Agent, describing the operations and financial condition of the Loan Parties and their Subsidiaries for the fiscal quarter and the portion of the fiscal year then ended (or for the fiscal year then ended in the case of annual financial statements), together with a discussion comparing such results as compared to the applicable figures for such period set forth in the projections most recently delivered pursuant to clause (k) below;

(g) promptly after any Borrower knows or has reason to know that any Default or Event of Default has occurred and is continuing, any "Default" or "Event of Default" under and as defined in any Revolving Loan Documents has occurred and is continuing or any Material Adverse Effect has occurred, but in any event not later than ~~five~~three (~~5~~3) Business Days after any Responsible Officer of any Borrower becomes aware thereof, a notice from the Borrower Agent of such Default, Event of Default, "Default", "Event of Default" or Material Adverse Effect describing the same in reasonable detail and a description of the action that the Borrowers have taken and propose to take with respect thereto;

(h) promptly after a Loan Party's obtaining knowledge thereof, notice to the Administrative Agent of any of the following that affects a Loan Party: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could reasonably be expected to have a Material Adverse Effect, (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract, (c) any default under or termination of a Material Contract, (d) any judgment in an amount exceeding $500,000, (e) the assertion of any Intellectual Property Claim, if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (f) any violation or asserted violation of any applicable Law (including ERISA, PBA, the Fair Labor Standards Act of 1938, or any Environmental Laws), if an adverse resolution could reasonably be expected to have a Material Adverse Effect, (g) any Environmental Release by a Loan Party or on any Real Property owned, leased or occupied by a Loan Party, or receipt of any Environmental Notice, (h) the occurrence of any ERISA Event or Termination Event, (i) the discharge of or any withdrawal or resignation by Borrowers' independent accountants, (j) any opening of a new office or place of business, at least thirty (30) days prior to such opening, or (k) any Loan Party or Subsidiary becomes party to, liable under or otherwise bound by any collective bargaining agreement, any Canadian Defined Benefit Pension Plan, Canadian Pension Plan, Pension Plan, Multiemployer Plan, Canadian Multi-Employer Plan or similar agreement;

(i) promptly after receipt thereof, but in any event not later than five (5) Business Days after any Responsible Officer of a Borrower becomes aware thereof, all final letters and reports to management of a Borrower prepared by its independent certified public accountants and the responses of the management of such Borrower thereto;

(j) promptly following the commencement of any litigation, suit, administrative proceeding or arbitration relating to any Borrower or any of its Properties which if adversely determined could reasonably be expected to result in a Material Adverse Effect or otherwise relating in any way to the transactions contemplated by this Agreement, but in any event not later than three (~~5~~3) Business Days after any Responsible Officer of a Borrower becomes aware thereof, a notice thereof from the Borrower Agent describing the allegations of such litigation, suit, administrative proceeding or arbitration and the Borrowers' response thereto;

(k) not later than thirty (30) days after the start of each fiscal year of the Borrowers, projections of Holdings', the Borrowers' and their Subsidiaries' consolidated balance sheets, results of operations, cash flow and "Excess Availability" (as defined in the Revolving Loan Documents) for the next fiscal year, fiscal month by fiscal month, together with a statement of all underlying assumptions, and promptly following the preparation thereof, updates to any of the foregoing from time to time prepared by management of any Loan Party;

(l) promptly after receipt thereof, but in any event not later than ~~five~~three (~~5~~3) Business Days after any Responsible Officer of a Borrower becomes aware thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement (including, without limitation, the Revolving Loan Documents) and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request;

(m) promptly after the sending or filing thereof, any certifications or other documents (including any exhibits or other backup thereto) regarding the post-closing settlement or other "true-up" of consideration paid under the Acquisition Documents or the Canadian Purchase Agreement;

(n) at the Administrative Agent's request, a listing of each Loan Party's trade payables, specifying the trade creditor and balance due, and a detailed trade payable aging, all in form satisfactory to the Administrative Agent;

(o) promptly after the sending or filing thereof, copies of any proxy statements, financial statements or reports that any Loan Party has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses that any Loan Party files with the Securities and Exchange Commission or any other Governmental Authority, or any securities exchange; and copies of any press releases or other statements made available by a Loan Party to the public concerning material changes to or developments in the business of such Loan Party;

(p) promptly after the sending or filing thereof, copies of any annual report to be filed in connection with each Plan or Foreign Plan;

(q) promptly upon any officer of any Loan Party obtaining knowledge that any Loan Party has either (i) registered or applied to register any Intellectual Property with any Governmental Authority or (ii) acquired any interest in Real Property (including leasehold interests in Real Property), a certificate of a Responsible Officer describing such Intellectual Property and/or such Real Property in such detail as the Administrative Agent shall reasonably require;

(r) promptly upon the completion thereof, any third-party audit or other review of the Closing Date balance sheet of the Loan Parties;

(s) as soon as available, and in any event within 120 days after the close of each fiscal year of the Borrowers, financial statements for each Guarantor, in form and substance satisfactory to the Administrative Agent;

(t) upon request, provide the Administrative Agent with copies of all existing agreements, and promptly after execution thereof provide the Administrative Agent with copies of all future agreements, between a Loan Party and any landlord, warehouseman, processor, shipper, bailee or other Person that owns any premises at which any Collateral may be kept or that otherwise may possess or handle any Collateral;

(u) from time to time (but no more frequently than one time per fiscal quarter) upon the reasonable request of Administrative Agent, the Borrowers shall make appropriate members of management available at reasonable times during normal business hours for a telephone conference to discuss with Administrative Agent and the Lenders the financial condition and operations of the Borrowers and their Subsidiaries; and

(v) such other information with respect to the financial condition and operations of the Borrowers and their Subsidiaries as the Administrative Agent or any Lender may reasonably request;

(w) simultaneously with the delivery thereof to any Revolving Loan Lender or the Revolving Loan Agent, any United States or Canadian borrowing base certificate and related materials delivered to any Revolving Loan Lender or the Revolving Loan Agent; ~~and~~

(x) as soon as available, but in any event no later than the Wednesday following the end of each week, a thirteen (13)- week cash forecast prepared by the Financial Advisor (which at a minimum will include (i) weekly variance reporting, comparing actual amounts to forecasted amounts; (ii) weekly cash receipts; (iii) expenditures detailed category; and (iv) ending Book Cash), sales invoice reports, accounts receivables and accounts payable aging reports by top ten customers and suppliers and months in inventory reports of inventory by location and staleness, in each case, in the same form as shall have previously been delivered to the Administrative Agent and, in each case, in form and substance acceptable to the Administrative Agent in its sole discretion;

(y) promptly upon any delivery to Loan Party or any of their Subsidiaries of any material notices under any Material Contract, a written statement describing such event, with copies of such amendments, notices or new contracts, delivered to the Administrative Agent, and a description of any actions being taken pursuant thereto; and

(z) promptly, but in any event not later than three (3) Business Days after any Responsible Officer of a Borrower becomes aware thereof, notice of (A) any change in any Loan Party's officers or directors, (B) any material loss or damage to the Collateral, (C) any event or the existence of any circumstance which would make any representation or warranty previously made by any Loan Party to the Administrative Agent untrue in any material respect or constitute a material breach if such representation or warranty was then being made, (D) any actual or alleged breaches of any Material Contract or termination or threat to terminate any Material Contract or any material amendment to or modification of a Material Contract, or the execution of any new Material Contract by any Loan Party and (E) any change in any Loan Party's certified independent accountant.

**5.2 Maintenance of Existence and Licenses; etc**.

(a) Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain and preserve its existence, and qualification and good standing in all states and jurisdictions in which such qualification and good standing are required in order to conduct its business and own its property as conducted and owned in such states, except, other than with respect Holdings or a Borrower, where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) Each Loan Party shall, and shall cause each of its Subsidiaries to, (i) keep each material License affecting any Collateral (including the manufacture, distribution or disposition of inventory) or any other material Property of the Loan Parties and Subsidiaries in full force and effect, (ii) promptly notify the Administrative Agent of any proposed modification to any such material License, or entry into any new material License, in each case at least thirty (30) days prior to its effective date, (iii) pay all royalties and other amounts when due under any material License, and (iv) notify the Administrative Agent of any default or breach asserted by any Person to have occurred under any material License.

**5.3 Maintenance of Properties**. Each Loan Party will, and shall cause each of its Subsidiaries to, maintain or cause to be maintained in the ordinary course of business in good repair, working order and condition (reasonable wear and tear excepted) all material Properties used in their respective businesses (whether owned or held under lease), and from time to time make or cause to be made all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, except to the extent the failure to maintain such Properties could not reasonably be expected to result in a Material Adverse Effect.

**5.4** **Payment of Liabilities**. Each Loan Party shall, and shall cause each of its Subsidiaries to, pay and discharge as the same may become due and payable, all taxes, assessments and other governmental charges or levies against or on any of its Property, in each case, prior to the date on which they become delinquent or penalties attach, as well as all other lawful claims of any kind which, if unpaid, might become a Lien upon any of its Property; provided, however, that the foregoing shall not require such Loan Party or such Subsidiary to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be Properly Contested, but (with respect to claims that are not Taxes, assessments and other governmental charges or levies) only so long as such claim does not become a Lien on any assets of such Loan Party or such Subsidiary.

**5.5** **Compliance with Laws**. Each Loan Party shall, and shall cause each of its Subsidiaries to, carry on its business activities in substantial compliance with all applicable federal, provincial, state or foreign laws and all applicable rules, regulations and orders of all governmental bodies and offices having power to regulate or supervise its business activities, including all applicable environmental, pollution control, health and safety statutes, laws and regulations, except in each case where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain all material rights, liens, permits, certificates of compliance or grants of authority necessary for the conduct of its business, except where the failure to maintain could not reasonably be expected to result in a Material Adverse Effect. The Real Property and its intended use will comply at all times with all applicable laws, governmental regulations and the terms of any enforcement action now or hereafter commenced by any federal, state, regional or local governmental agency, including all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended from time to time), and the rules, regulations and ordinances of all applicable federal, state and local agencies and bureaus, except where the failures to so comply could not reasonably be expected to result in a Material Adverse Effect. Each Loan Party shall, and shall cause each of its Subsidiaries to, institute and maintain policies and procedures (satisfactory to the Administrative Agent) designed to ensure that no Loan Party, nor any of their Subsidiaries (other than any Foreign Subsidiary), sells any products or services directly to marijuana growers or to retailers that sell only to the marijuana industry.

**5.6** **Books and Records; Inspection Rights; etc**. Each Loan Party shall, and shall cause each of its Subsidiaries to, keep (a) from and after July 1, 2017, a system of accounting administered in accordance with GAAP and (b) books and records reflecting all of its business affairs and transactions in accordance with GAAP. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit the Administrative Agent (accompanied by any Lender) or any representative thereof, at reasonable times and intervals, during normal business hours and upon reasonable notice to the Borrower Agent, to visit the offices of such Loan Party or such Subsidiary, discuss financial matters with Responsible Officers of such Loan Party or such Subsidiary and with its independent public accountants (and by this provision each Loan Party authorizes its and its Subsidiaries' independent public accountants to participate in such discussions) and examine any of the such Loan Party's or such Subsidiary's books and other company records in a non-disruptive manner; provided, that unless an Event of Default has occurred and is continuing there shall be no more than one such inspection or visit per year; provided, further, that, unless an Event of Default has occurred and is continuing, a representative of the Borrower Agent shall be given the opportunity to be present during any such inspection or discussion. Notwithstanding anything to the contrary in this Section 5.6, no Loan Party, nor any of their respective Subsidiaries, will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter, or provide information, that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure is prohibited by Law, (iii) is subject to attorney-client or similar privilege or constitutes attorney work product or (iv) the disclosure of which is restricted by binding agreements with a third party that is not a controlled Affiliate of any Loan Party.

**5.7** **Insurance**. Subject to the Intercreditor Agreement:

(a) Each Loan Party shall maintain insurance with respect to the Collateral, covering casualty, hazard, theft, malicious mischief, flood and other risks, in amounts, with endorsements and with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) reasonably satisfactory to the Administrative Agent; provided, that if Real Property secures any Obligations, flood hazard diligence, documentation and insurance shall comply with the Flood Disaster Protection Act or otherwise shall be satisfactory to all Lenders. All proceeds under each policy shall be payable to the Administrative Agent. From time to time upon request, the Loan Parties shall deliver to the Administrative Agent certified copies of its insurance policies and updated flood plain searches. Unless the Administrative Agent shall agree otherwise, each policy shall include endorsements in form and substance reasonably satisfactory to it (i) showing the Administrative Agent as loss payee (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies); (ii) requiring thirty (30) days prior written notice to the Administrative Agent in the event of cancellation of the policy for any reason whatsoever; and (iii) specifying that the interest of the Administrative Agent shall not be impaired or invalidated by any act or neglect of any Loan Party or the owner of the Property, nor by the occupation of the premises for purposes more hazardous than are permitted by the policy. If any Loan Party fails to provide and pay for any insurance, the Administrative Agent may, at its option, but shall not be required to, procure the insurance and charge the Loan Parties therefor. Each Loan Party agrees to deliver to the Administrative, promptly as rendered, copies of all reports made to insurance companies (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies). While no Event of Default exists, the Loan Parties may settle, adjust or compromise any insurance claim, as long as the proceeds (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies) are delivered to the Administrative, subject to Loan Party reinvestment rights in accordance with this Agreement. If an Event of Default exists, only the Administrative Agent shall be authorized to settle, adjust and compromise such claims (other than with respect to workers' compensation, D&O insurance, kidnap, ransom and terrorism policies).

(b) Any proceeds of insurance (other than proceeds from workers' compensation or D&O insurance or kidnap, ransom and terrorism policies) and any awards arising from condemnation of any Collateral shall be paid to the Administrative Agent upon receipt thereof; provided that, so long as no Event of Default exists, the Loan Parties shall have the right to elect to reinvest such proceeds to the extent provided in Section 2.1(g)(4). Subject to the Intercreditor Agreement, any such proceeds or awards that relate to any Collateral and not so reinvested shall be applied to payment of the Term Loans in accordance with Section 2.1(g)(4).

(c) If at any time the improvements on a Real Property are located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a "special flood hazard area" with respect to which flood insurance has been made available under Flood Insurance Laws, then the applicable Loan Party (i) has obtained and will maintain, with financially sound and reputable insurance companies (except to the extent that any insurance company insuring the Real Property of such Loan Party ceases to be financially sound and reputable after the Closing Date, in which case, Holdings or such Loan Party shall promptly replace such insurance company with a financially sound and reputable insurance company), such flood insurance in such reasonable total amount as the Administrative Agent and the Lenders may from time to time reasonably require, and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) promptly upon request of the Administrative Agent or any Lender, will deliver to the Administrative Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Administrative Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

(d) The Loan Parties shall maintain insurance with insurers (with a Best rating of at least A+, unless otherwise approved by the Administrative Agent in its discretion) satisfactory to the Administrative Agent, (a) with respect to the Properties and business of the Loan Parties and Subsidiaries of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance), in such amounts, and with such coverages and deductibles as are customary for companies similarly situated, and (b) business interruption insurance in an amount not less than $4,000,000, with deductibles and subject to an endorsement or insurance assignment reasonably satisfactory to the Administrative Agent.

**5.8** **ERISA**. Each Loan Party agrees that all assumptions and methods used to determine the actuarial valuation of employee benefits, both vested and unvested, under any Plan, and each such Plan, will comply in all material respects with ERISA and other applicable laws.

(a) No Loan Party will at any time permit any Plan to:

(1) engage in any "prohibited transaction" for which an exemption is not available as such term is defined in Section 4975 of the Code or in Section 406 of ERISA;

(2) fail to satisfy the minimum funding standard as such term is defined in Section 302 of ERISA, whether or not waived;

(3) be terminated under circumstances which are likely to result in the imposition of a lien on the property of any Loan Party or any of their respective Subsidiaries pursuant to Section 4068 of ERISA, if and to the extent such termination is within the control of a Loan Party or any of the Subsidiaries; or

(4) be operated or administered in a manner which is not in compliance with ERISA or any applicable provisions of the Code;

if the event or condition described in clause (1), (2), (3) or (4) above could reasonably be expected to subject any Loan Party or any of their respective Subsidiaries to a Material Adverse Effect.

(b) Upon the request of the Administrative Agent or any Lender, the Borrower Agent will furnish a copy of the annual report of each Plan (Form 5500) required to be filed with the IRS. Copies of such annual reports shall be delivered no later than thirty (30) days after the date the copy is requested.

**5.9** **Additional Subsidiary Guarantors**. The Borrower Agent shall notify the Administrative Agent within ten (10) Business Days after it makes an Investment in any Subsidiary or, within ten (10) Business Days after it creates an entity which is or becomes a Subsidiary, and promptly thereafter (and in any event within thirty (30) days), cause such Person (other than a Foreign Subsidiary) to (i) become a Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty or such other document as the Administrative Agent shall reasonably deem appropriate for such purpose, (ii) take all such action and execute such agreements, documents and instruments, including execution and delivery of a counterpart signature page to the Security Agreement and execution and delivery of such other Security Documents, that may be necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected security interest and Lien in any Collateral owned by such new Subsidiary (having the priority set forth in the Intercreditor Agreement) and (iii) deliver to the Administrative Agent documents of the types referred to in Section 3. 1(a)(8) and, if reasonably requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clauses (i) and (ii) of this subsection), all in form, content and scope reasonably satisfactory to the Administrative Agent. Notwithstanding anything to the contrary set forth herein, no Subsidiary of Holdings may guarantee (or be a borrower under) the Revolving Loan Facility that does not also guarantee the Obligations (or is a Borrower hereunder); provided, that, notwithstanding the foregoing, EWGS, Eddi, GSD and Sunblaster Canada shall be permitted to be a borrower under the Revolving Loan Facility.

**5.10** **Landlord Agreements**. The Loan Parties shall use commercially reasonable efforts to obtain a landlord agreement or bailee or mortgagee waiver, as applicable, within sixty (60) days after the Closing Date from (a) the lessor of each Loan Party's chief executive office and each other location where any books and records of a Loan Party are held or maintained and (b) from the lessor of each leased property, bailee in possession of any Collateral or mortgagee of any owned property with respect to any location where Collateral with an aggregate fair market value in excess of $350,000 is stored or located.

**5.11** **Cash Management Systems**. Within one-hundred twenty (120) days after the Closing Date, unless waived or extended by the Administrative Agent in its Permitted Discretion, each Loan Party shall enter into, and cause each depository, securities intermediary or commodities intermediary to enter into, control agreements subject to the provisions in the Security Agreement.

**5.12** **Further Assurances**. Promptly upon reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request from time to time in order (i) to carry out the purposes of this Agreement or any other Loan Documents, (ii) to subject to the Liens in the Collateral granted by any of the Security Documents (having the priority set forth in the Intercreditor Agreement) any of the Collateral and (iii) to perfect and maintain the validity, effectiveness and priority of the Liens granted by any of the Security Documents and the Liens intended to be created thereby (in each case, subject to the terms of the Intercreditor Agreement). Notwithstanding anything to the contrary in this Agreement or any other Loan Document, so long as any Revolving Loan Obligations are outstanding, the actions and deliverables required by this Section 5.12 with respect to the Administrative Agent's security interest in any Revolving Loan Priority Collateral shall be subject to the terms of the Intercreditor Agreement and required only to the extent required under the Revolving Loan Documents. ~~**Notwithstanding anything to the contrary set forth herein or in the Security Agreement, the Borrowers shall not be required to execute and deliver a Mortgage in respect of the Colorado Property prior to the date that is 180 days following the Closing Date.**~~

**5.13** **SBA Matters**. Each Loan Party will, and will cause each of its Subsidiaries to: (a) upon the request of any Lender that is a Small Business Investment Company (as defined in the SBIA), repay such Lender's Term Loan in full (including the applicable prepayment fee), in immediately available funds, in the event that any Borrower or any other Loan Party changes the nature of its business within one year after the Closing Date (or, if applicable, any later borrowing date hereunder) in a manner that would cause such Lender to have provided funds any Borrower or any other Loan Party pursuant to this Agreement or any other Loan Document in violation of 13 C.F.R. §§ 107.700-107.760 (as amended from time to time); (b) upon the request of any Lender that is a Small Business Investment Company or the SBA, (i) submit to such Lender and/or the SBA timely and accurate compliance reports at such times and in such form and containing such information as the SBA may determine to be necessary to enable the SBA to ascertain whether each Borrower and each other Loan Party have complied or are complying with 13 C.F.R. Part 112 (" Part 112 "), (ii) submit to such Lender such information as may be necessary to enable such Lender to meet its reporting requirements under Part 112, and (iii) permit the SBA to have access with advance written notice and during normal business hours to such of its books, records, accounts and other sources of information, and its facilities as may be pertinent to ascertain compliance with Part 112. Where any information required of any Borrower or any other Loan Party is in the exclusive possession of any other agency, institution or Person and such agency, institution or Person shall fail or refuse to furnish this information, each Borrower and each other Loan Party shall so certify in its report and shall set forth what efforts it has made to obtain this information; and (c) upon any Lender's request, take any and all actions required to permit any Lender to comply with SBIA and applicable law, in the event such Lender is restricted or prohibited from holding Term Loans or Qualified Equity Interests in any Loan Party or any Affiliate thereof as a result of any noncompliance thereunder.

**5.14** **OFAC; Patriot Act**. The Loan Parties shall, and shall cause their Subsidiaries to, comply with the laws, regulations and executive orders referred to in Section 4.27 and Section 4.28 (subject to any materiality qualifiers set forth in such Section 4.27 and Section 4.28).

**5.15** **Senior Credit Enhancements**. If the Revolving Loan Agent or any Revolving Loan Lender under the Revolving Loan Documents receives any additional guaranty, Collateral or other credit enhancement after the Closing Date, each Loan Party shall cause the same to be granted to the Administrative Agent and the Lenders, subject to the terms of the Intercreditor Agreement.

**5.16** **Bi-Weekly Calls**. The Loan Parties' senior management shall, and shall cause the CRO and Financial Advisor to, hold and participate in bi-weekly conference calls or in-person meetings with the Administrative Agent and the Lenders during which (i) the Loan Parties' senior management shall, and shall cause the CRO and Financial Advisor to, provide the Administrative Agent with a reasonably detailed update of the Loan Parties' operations and financial position and (ii) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Loan Parties' senior management and the CRO and Financial Advisor with respect to the Loan Parties' operations and financial position. In connection with each such bi-weekly conference call or in-person meeting, the Loan Parties shall deliver to the Lenders, at least one Business Day prior to such call or meeting, an agenda and summary of the update of the Loan Parties' operations and financial position to be discussed at such call or meeting.

## ARTICLE VI
## FINANCIAL COVENANTS AND NEGATIVE COVENANTS

The Loan Parties agree with the Administrative Agent and each of the Lenders that, from the date hereof and thereafter for so long as any portion of any Term Loans shall be outstanding or any Lender shall have any Commitment hereunder, unless the Required Lenders shall otherwise consent in writing:

**6.1 Financial Covenants**.

(a) Total Net Leverage Ratio.

(i) From and after January 1, 2020 until the Covenant Change Date, the Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Month Ending | Maximum Total Net Leverage Ratio |
|---|---|
| January 31, 2020 | 8.50:1.00 |
| February 29, 2020 | 8.50:1.00 |
| March 31, 2020 | 8.50:1.00 |
| April 30, 2020 | 8.00:1.00 |
| May 31, 2020 | 8.00:1.00 |
| June 30, 2020 | 8.00:1.00 |
| July 31, 2020 | 7.50:1.00 |
| August 31, 2020 | 7.50:1.00 |
| September 30, 2020 | 7.50:1.00 |
| October 31, 2020 | 7.00:1.00 |
| November 30, 2020 | 7.00:1.00 |
| December 31, 2020 | 7.00:1.00 |
| January 31, 2021 | 6.50:1.00 |
| February ~~29,~~28, 2021 | 6.50:1.00 |
| March 31, 2021 | 6.50:1.00 |
| April 30, 2021 | 6.25:1.00 |
| May 31, 2021 | 6.25:1.00 |
| June 30, 2021 | 6.25:1.00 |
| July 31, 2021 | 6.00:1.00 |
| August 31, 2021 | 6.00:1.00 |
| September 30, 2021 | 6.00:1.00 |
| October 31, 2021 | 5.75:1.00 |
| November 30, 2021 | 5.75:1.00 |
| December 31, 2021 | 5.75:1.00 |
| January 31, 2022 | 5.50:1.00 |
| February ~~29,~~28, 2022 | 5.50:1.00 |
| March 31, 2022 | 5.50:1.00 |
| April 30, 2022 | 5.25:1.00 |

(ii) From and after the Covenant Change Date, the Borrowers shall not permit the Total Net Leverage Ratio as of the date set forth in the table below for the Test Period ending on such date to be greater than the maximum ratio set forth in the table below opposite such date:

| Month Ending | Maximum Total Net Leverage Ratio |
|---|---|
| March 31, 2020 | 8.50:1.00 |
| June 30, 2020 | 8.00:1.00 |
| September 30, 2020 | 7.50:1.00 |
| December 31, 2020 | 7.00:1.00 |
| March 31, 2021 | 6.50:1.00 |
| June 30, 2021 | 6.25:1.00 |
| September 30, 2021 | 6.00:1.00 |
| December 31, 2021 | 5.75:1.00 |
| March 31, 2022 | 5.50:1.00 |

(b) Fixed Charge Coverage Ratio. From and after the FCCR Covenant Date, the Borrowers shall not permit the Fixed Charge Coverage Ratio as of the last day of any calendar month to be less than 1.00:1.00.

(c) Cumulative EBITDA. At all times on or prior to December 31, 2019, the Borrowers shall not permit the Cumulative EBITDA for any date set forth in the table below for the Test Period ending on such date to be less than the minimum Cumulative EBITDA set forth opposite such date:

| Month Ending | Maximum Total Net Leverage Ratio |
|---|---|
| July 31, 2018 | -$2,801,000 |
| November 30, 2018 | ($2,455,000) |
| December 31, 2018 | ($3,515,000) |
| January 31, 2019 | ($4,166,000) |
| February 28, 2019 | ($4,507,000) |
| March 31, 2019 | ($3,925,000) |
| April 30, 2019 | ($2,972,000) |
| May 31, 2019 | ($2,384,000) |
| June 30, 2019 | ($2,185,000) |
| July 31, 2019 | ($1,942,000) |
| August 31, 2019 | ($1,537,000) |
| September 30, 2019 | ($1,356,000) |
| October 31, 2019 | ($853,000) |
| November 30, 2019 | $335,000 |
| December 31, 2019 | $1,832,000 |

(d) Liquidity. At all times on or prior to December 31, 2019, the Loan Parties shall not permit (A) the sum of (i) the ~~U.S .. Availability (~~Borrowing Base (as defined in the Revolving Loan Agreement) in respect of the assets of the U.S. Obligors (as defined in the Revolving Loan Agreement), minus (ii) the outstanding principal amount of Revolving Loans (as defined in the Revolving Loan Agreement), minus the Availability Block as defined in the Revolving Loan Agreement), plus (~~ii~~iii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account ~~at Bank of America~~ in the United States and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $2,000,000 or (B) ~~the sum of (i) the Global~~"Excess Availability " (as defined in the Revolving Loan Agreement)~~, plus (ii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account at Bank of America in the United States and Canada and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $4,000,000.~~ to be less than "Minimum Excess Availability Amount" (as defined in the Revolving Loan Agreement).

(e) Equity Cure Contributions. For purposes of determining compliance with the Financial Covenants as of the last day of any calendar month ~~ending on or prior to August 31, 2019,~~ , any cash equity contribution to the Borrower by Holdings (to the extent funded by Holdings from the proceeds of the issuance of Qualified Equity Interests by Holdings to Hydrofarm Investment Corp. and solely designated as being for the purpose of curing the breach of Financial Covenants pursuant to this clause (e)) after the last day of any such calendar month and on or prior to the day that is fifteen (15) Business Days after the day on which financial statements are required to be delivered under Section 5.1 for the period ending the last day of such calendar month (each an "Equity Cure Contribution") will, at the request of the Borrower, be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants for the applicable calendar month and any applicable subsequent periods that include such calendar month; provided, that (i) in any twelve month period, there shall not be more than three (3) calendar months in which an Equity Cure Contribution is made, (ii) the Borrower shall not be permitted make an Equity Cure Contribution in more than two (2) consecutive calendar months, (iii) the amount of any Equity Cure Contributions shall not be less than $1,000,000 (provided, that, in the event that the amount required to cause the Borrower to be in compliance with the Financial Covenants is less than the minimum Equity Cure Contribution set forth in this clause (iii), the Borrower must satisfy the minimum Equity Cure Contribution requirement of this clause (iii), but only the portion of such Equity Cure Contribution required to cause the Borrower to be in compliance with the Financial Covenants for such month shall be included in the calculation of Consolidated EBITDA for purposes of determining compliance with the Financial Covenants in accordance with the foregoing), (iv) the proceeds of each Equity Cure Contribution shall have been contributed to the Borrower as a cash common equity contribution or as Permitted Affiliate Sub Debt and shall be promptly used by the Borrower to prepay the Term Loans pursuant to Section 2.1(g)(6), (v) all Equity Cure Contributions will be used solely for curing the Financial Covenants and will be disregarded for purposes of determining the availability of any baskets, pricing or step-downs with respect to other provisions contained in the Loan Documents, and (vi) there shall be no pro forma or other reduction of Total Net Debt (including by way of cash netting) using the proceeds of any Equity Cure Contribution for purposes of determining compliance for the calendar month (and subsequent months in the applicable Test Period) in respect of which such Equity Cure Contribution was made. ~~For the avoidance of doubt, the provisions of this clause (e) shall not apply to, and no Equity Cure Contributions shall be made with respect to, any period after the month ending August 31, 2019.~~

**6.2 Limitations on Indebtedness**. The Loan Parties shall not, and shall not permit any of their Subsidiaries to, create, assume, incur, issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any Indebtedness, except the following (the "Permitted Indebtedness"):

(a) the Obligations;

(b) Subordinated Indebtedness in an aggregate amount outstanding (together with any Refinancing Debt in respect thereof) at any time not in excess of $~~20,000,000~~ 1,000,000; provided, that, in the event that such Subordinated Indebtedness is Permitted Affiliate Sub Debt, subject to the Intercreditor Agreement, 100% of the proceeds thereof are immediately applied by Holdings to make a Specified Equity Contribution in the Borrower Agent in accordance with Section 6.1(c);

(c) Permitted Purchase Money Debt;

(d) Indebtedness (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations) set forth on **Schedule 6.2** (other than the Obligations, Subordinated Indebtedness, Permitted Purchase Money Debt and Revolving Loan Obligations), but only to the extent outstanding on the Closing Date and not satisfied with proceeds of the Term Loans;

~~(c) Indebtedness that is in existence when a Person becomes a Subsidiary or that is secured by an asset when acquired by a Loan Party or Subsidiary, as long as (i) such Indebtedness was not incurred in contemplation of such Person becoming a Subsidiary or such acquisition, and (i) the aggregate amount of Indebtedness outstanding under this clause (c) (together with any Refinancing Debt in respect thereof) does not exceed $1,000,000 in the aggregate at any time;~~

~~(f) Permitted Contingent Obligations;~~

(e) ~~(g)~~ Revolving Loan Obligations so long as such obligations do not exceed the Revolving Loan Maximum Amount, subject to the limitations set forth in the Intercreditor Agreement; provided, that, the maximum aggregate amount of Revolving Loan Obligations specified in clause (a)(i) of the definition of "Revolving Loan Maximum Amount" set forth in the Intercreditor Agreement of any ~~Person other than the Loan Parties~~Canadian Subsidiary, or any future Subsidiary that is not a Loan Party, that shall be permitted under this clause (~~g~~e) shall not exceed $~~10,000,000~~15,000,000;

(f) ~~(h)~~ Refinancing Debt as long as each Refinancing Condition is satisfied;

(g) ~~(i)~~ intercompany loans by a Borrower or a Wholly Owned Loan Party to a Borrower or a Wholly Owned Loan Party;

(h) ~~(j)~~ Indebtedness in respect of appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances, in each case, issued for the account of any Loan Party in the Ordinary Course of Business, including guarantees or obligations of any Loan Party with respect to letters of credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(i) ~~(k)~~ Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business;

(j) ~~(l)~~ Subordinated Indebtedness of any Loan Party to repurchase Equity Interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director, so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this clause (~~l~~i) does not exceed $1,000,000 in the aggregate at any time;

~~(m) Indebtedness consisting of accrued and unpaid management fees permitted under the Management Agreements;~~

(k) ~~(n)~~ Indebtedness consisting of any final judgment rendered against any Loan Party that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constituting an Event of Default in accordance with Section 7.1(g) hereof;

(l) ~~(o)~~ Indebtedness that is not included in any of the preceding clauses of this Section 6.2, is not secured by a Lien and does not exceed $~~1,000,000~~500,000 in the aggregate at any time outstanding;

(m) ~~(p)~~ all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (~~o~~l) above; ~~and~~

(n) ~~(q)~~ the Asset Acquisition Earnout Obligations; and

(o) Indebtedness in respect of the HHG Note in an aggregate principal amount not in excess of $2,500,000, solely to the extent such Indebtedness is subject to and permitted by HHG Subordination Agreement.

**6.3 Liens**. The Loan Parties shall not, and will cause their Subsidiaries not to, create, incur, assume or permit to exist or to be created or assumed any Lien on any of their respective Property, whether now owned or hereafter acquired, except the following (the "Permitted Liens"):

(a) Liens in favor of the Administrative Agent for the benefit of the Secured Parties or otherwise to secure the Obligations;

(b) Purchase Money Liens securing Permitted Purchase Money Debt;

(c) Liens for Taxes not yet due or being Properly Contested;

~~**(d) statutory Liens (other than Liens for Taxes or imposed under ERISA or PBA) arising in the Ordinary Course of Business, but only if (i) payment of the obligations secured thereby is not yet due or is being Properly Contested, and (ii) such Liens do not materially impair the value or use of the Property or materially impair operation of the business of any Loan Party or Subsidiary;**~~

(d) ~~(e)~~ Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such Liens are at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties and are required or provided by law;

(e) ~~(f)~~ Liens arising by virtue of a judgment or judicial order against any Loan Party or Subsidiary, or any Property of a Loan Party or Subsidiary, as long as such Liens ~~are~~ (i) are in existence for less than 20 consecutive days or being Properly Contested, ~~and~~ (ii) are at all times junior to the Liens in favor of the Administrative Agent for the benefit of the Secured Parties, and (iii) do not constitute an Event of Default;

(f) ~~(g)~~ easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Property, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business;

(g) ~~(h)~~ normal and customary rights of setoff upon deposits in favor of depository institutions (but only to the extent such banker's liens, rights of set-off or other rights are in respect of customary service charges relative to such deposit accounts and other funds, and not in respect of any loans or other extensions of credit by such bank or other financial institution to any Loan Party), and Liens of a collecting bank on Payment Items in the course of collection;

~~**(i) Liens on assets (other than accounts receivable and inventory) acquired in a Permitted Acquisition, securing Indebtedness permitted by Section 6.2(c);**~~

(h) ~~(j)~~ Liens securing Indebtedness under the Revolving Loan Documents permitted by Section 6.2(~~g~~e) to the extent such Liens are subject to the Intercreditor Agreement;

(i) ~~(k)~~ Liens existing on the Closing Date and set forth on **Schedule 6.3**;

(j) ~~(l)~~ leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness;

(k) ~~(m)~~ licenses or sublicenses of Intellectual Property granted by any Loan Party in the Ordinary Course of Business;

(l) ~~(n)~~ the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods; and

~~(o) Liens for the benefit of a seller attaching solely to cash earnest money deposits in connection with a letter of intent or acquisition agreement with respect to a Permitted Acquisition;~~

(m) ~~(p)~~ Liens on an insurance policy of any Loan Party and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Indebtedness permitted to finance the premiums of such policies~~; and~~.

~~(q) statutory Liens arising in the Ordinary Course of Business that are not related to Indebtedness for borrowed money so long as (x) such Liens are subject to a landlord agreement or bailee or mortgagee waiver, as applicable, in form and substance acceptable to the Administrative Agent and (y) such Liens are similarly permitted under the Revolving Loan Agreement pursuant to clause (vi) of Section 10.2(a) of the Revolving Loan Agreement.~~

**6.5** **Sales of Assets**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Asset Dispositions, except for:

(a) a sale or lease of inventory in the Ordinary Course of Business;

(b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from a Loan Party's or Subsidiary's default;

(c) a lease or sublease of Real Property in the Ordinary Course of Business;

(d) a license or sublicense of Intellectual Property (including, without limitation, any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business;

(e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term;

(f) Asset Dispositions of cash equivalents in the Ordinary Course of Business;

(g) Asset Dispositions of Property to a Borrower or any Wholly Owned Loan Party (other than Holdings);

(h) Restricted Payments by the Loan Parties and their Subsidiaries, in each case solely to the extent expressly permitted by Section 6.10;

(i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due in an aggregate amount not to exceed $500,000 during any 12-month fiscal period;

(j) Asset Dispositions approved in writing by the Administrative Agent and Required Lenders;

(k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, ~~or subject to a binding contract to be replaced, within 180 days (and if so committed to be replaced, actually replaced no later than ninety (90) days after the end of such 180 day period)~~within 180 days with another asset useful in the Loan Parties' business (so long as the Administrative Agent has a first priority and perfected Lien on any newly-acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than accounts receivable or inventory) that, in the aggregate during any 12 fiscal month period, has a fair market or book value (whichever is more) of $~~1,000,000~~500,000 or less, or (iii) Asset Dispositions of Property (other than accounts receivable or inventory) that is obsolete or no longer used or useful in the business or inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business; or

(l) replacement of equipment that is worn, damaged or obsolete with equipment of like function and value, if the replacement equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Administrative Agent) and is free of Liens other than Permitted Liens~~; or(m) a sale or disposition of the Colorado Property so long as (i) no Default or Event of Default exists or results therefrom, (ii) 100% of the consideration received from such sale or disposition is in the form of cash, (iii) the purchase price of such sale or disposition is for at least fair market value, and (iv) the Net Cash Proceeds of such sale or other disposition are applied to make a prepayment of the Term Loans in accordance with Section 2.01(g)(4).~~

**6.6 Liquidations, Mergers and Consolidations**. Except ~~as permitted pursuant to Sections 6.6 and 6.8 and except~~ for the merger, consolidation or amalgamation of any Loan Party or any Subsidiary of any Loan Party into a Borrower or any Wholly Owned Loan Party, the Loan Parties shall not, and will cause their Subsidiaries not to, liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, Divided, or consolidate with or merge into any other Person, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets or less than all the Equity Interests of a Borrower or any of their Subsidiaries; provided that any Subsidiary of a Borrower may liquidate or dissolve or change its legal form if the Borrowers determine in good faith that such action is in the best interests of the Borrowers and their Subsidiaries and is not materially disadvantageous to the Lenders so long as (A) no Event of Default shall result therefrom and (B) the surviving Person or the Person who receives the assets of such dissolving or liquidated Subsidiary that is Loan Party shall be a Borrower or a Wholly Owned Loan Party; provided, further, that if a Borrower is a party to any such transaction, a Borrower shall be the surviving entity of such transaction.

**6.7** **Investments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make or permit to exist any Investment, except that, so long as no Event of Default then exists or is caused thereby, the Borrowers and their Subsidiaries may make Permitted Investments.

**6.8** **Transactions with Affiliates**. The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any transaction (including the purchase, sale or exchange of Property, the rendering of any service, the making of any Investment in an Affiliate or the repayment of any Indebtedness owed to an Affiliate) with an Affiliate (other than any such transactions among the Loan Parties), except for (i) any agreement, instrument or arrangement as in effect as of the Closing Date and set forth on **Schedule 6.7**, or any amendment thereto (so long as any such amendment is not adverse to the Lenders in any material respect as compared to the applicable agreement as in effect on the Closing Date) and (ii) any material transaction in the ordinary course of business and pursuant to the reasonable requirements of the Loan Parties and their Subsidiaries business, upon terms which are fair and reasonable to the Loan Parties and their Subsidiaries and which are not less favorable to the Loan Parties and their Subsidiaries than would be obtained in a comparable transaction with a Person not an Affiliate~~; provided, that, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the Borrowers may pay Permitted Management Fees~~.

**6.9** **Acquisitions**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any ~~Acquisitions, except that the Borrowers and their Subsidiaries may make Permitted~~ Acquisitions.

**6.10** **Amendment and Waiver**.

(a) The Loan Parties shall not, and will cause their Subsidiaries not to, enter into any amendment of, or agree to or accept or consent to any waiver of any of the provisions of its Organic Documents in any manner that is adverse to the Administrative Agent or the Lenders~~, other than any amendment of any Organic Documents of Holdings necessary to facilitate the issuance of Equity Interests of Holdings so long as such amendment is not adverse to the Administrative Agent or the Lenders~~.

(b) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Revolving Loan Obligations (including, without limitation, the Revolving Loan Documents) except to the extent permitted by the Intercreditor Agreement.

(c) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any Management Agreement in any manner that is adverse to the Administrative Agent or the Lenders (it being understood that any amendment or modification to any Management Agreement that has the effect of either (x) increasing the fees or other amounts payable to any Manager thereunder or (y) modifying the subordination provisions set forth therein shall, in any such event, be adverse to the Administrative Agent or the Lenders).

(d) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Hydrofarm Acquisition (including the Hydrofarm Acquisition Agreement) or any Canadian Acquisition (including the Canadian Purchase Agreements) in any manner that (i) is contrary to the terms of this Agreement or any other Loan Document, or (ii) could reasonably be expected to result in a Material Adverse Effect or otherwise be materially adverse to the rights, interests or privileges of the Administrative Agent or Lenders or their ability to enforce the Loan Documents.

(e) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Permitted Affiliate Sub Debt.

(f) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning any Subordinated Indebtedness (other that Permitted Affiliate Sub Debt which is governed by clause (e) above) if the effect thereof (i) increases the principal balance of such Subordinated Indebtedness, or increases any required payment of principal or interest, (ii) accelerates the date on which any installment of principal or any interest is due, or adds any additional redemption, put or prepayment provisions, (iii) shortens the final maturity date or otherwise accelerates amortization, (iv) increases the interest rate, (v) increases or adds any fees or charges, (vi) modifies any covenant in a manner or adds any representation, covenant or default that is more onerous or restrictive in any material respect for any Loan Party or Subsidiary, or that is otherwise materially adverse to any Loan Party, any Subsidiary or the Lenders, or (vii) results in the Obligations not being fully benefited by the subordination provisions thereof.

(g) The Loan Parties shall not, and will cause their Subsidiaries not to, amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the HHG Note.

**6.11 Restricted Payments**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any Restricted Payment, except that the Loan Parties and their Subsidiaries may~~: (a)~~ make Tax Distributions to Holdings ~~(and, from the proceeds thereof, Holdings may make Tax Distributions to the holders of its Equity Interests), in each case,~~ in the Ordinary Course of Business~~; and (b) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) pay Permitted Management Fees in an amount not to exceed $850,000 per fiscal year; (ii) pay (or make Restricted Payments to allow Holdings or any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests or Equity Interests Equivalents of Holdings (or of any direct or indirect parent thereof) held by any future, present or former employee, director, consultant or distributor (or any spouses, former spouses, successors, executors, administrators, heirs, legatees or distributees of any of the foregoing) of a Borrower or any of their Subsidiaries upon the death, disability, retirement or termination of employment of any such Person or otherwise pursuant to any employee or director equity plan, employee or director stock option or profits interest plan or any other employee or director benefit plan or any agreement (including any separation, stock subscription, shareholder or partnership agreement) with any employee, director, consultant or distributor of a Borrower or any of their Subsidiaries in an aggregate amount after the Closing Date not to exceed, together with any payments made under any other Indebtedness permitted under Section 6.2(l), $500,000 in any calendar year, in each case so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof; and (iii) provided that (1) the Loan Parties are in pro forma compliance with the Financial Covenants, after giving effect thereto, as of the last day of the most recently ended Test Period, and (2) the Loan Parties' have pro forma minimum Liquidity of at least $10,000,000, make Restricted Payments in an amount not to exceed $500,000 in the aggregate.~~

**6.12 Payments in Respect of Certain Indebtedness**. The Loan Parties shall not, and will cause their Subsidiaries not to, make any payments (whether voluntary or mandatory, or a prepayment, redemption, retirement, defeasance, purchase or acquisition, and whether of interest, principal or any other amounts) with respect to:

(a) any Subordinated Indebtedness (other than Permitted Affiliate Sub Debt, which shall be subject to clause (c)), except regularly scheduled payments of principal, interest and fees, but only to the extent permitted under any subordination agreement relating to such Indebtedness (and a Responsible Officer of Borrower Agent shall certify to the Administrative Agent, not less than five Business Days prior to the date of payment, that all conditions under such agreement have been satisfied);

(b) any mandatory prepayments under the Revolving Loan Obligations or any other Indebtedness under the Revolving Loan Documents to the extent any such mandatory payments are prohibited from being paid pursuant to the terms of the Intercreditor Agreement;

(c) any Permitted Affiliate Sub Debt; ~~or~~

(d) any Indebtedness (other than the Obligations, Subordinated Indebtedness, the Revolving Loan Obligations or Permitted Affiliate Sub Debt), except, so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (i) required payments under the agreements evidencing such Indebtedness as in effect on the Closing Date (or as amended thereafter with the consent of the Administrative Agent), or (ii) payments in an aggregate amount not to exceed $500,000 in any fiscal year of the Borrowers;

(e) any Asset Acquisition Earnout Obligations; or

(f) any Indebtedness in respect of the HHG Note, except payments permitted under the HHG Subordination Agreement.

**6.13 Change in Business**. The Loan Parties shall not, and will cause their Subsidiaries not to, engage in any business, other than its business as conducted on the Closing Date and any activities incidental thereto. The Loan Parties shall not, and will cause their Subsidiaries not to wind up its business operations or cease substantially all, or any material portion, of its normal business operations, or suffer any material disruption, interruption or discontinuance of a material portion of its normal business operations.

**6.14 Changes in Accounting, Name and Jurisdiction of Organization**. The Loan Parties shall not, and will cause their Subsidiaries not to, (i) change their fiscal year, (ii) change its name as it appears in official filings in its jurisdiction of organization or (iii) change its jurisdiction or form of organization, in the case of clauses (ii) and (iii), without at least ten (10) Business Days' prior written notice to the Administrative Agent and the acknowledgement of the Administrative Agent that all actions reasonably required by the Administrative Agent have been completed.

**6.15** **No Negative Pledges**. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance of any kind on the ability of any Subsidiary to pay dividends or make any other distribution on any of such Subsidiary's Equity Interests or Equity Interests Equivalents or to pay fees, including management fees, or make other payments and distributions to a Borrower or any Subsidiary, except pursuant to the terms of the Loan Documents and the Revolving Loan Documents. No Loan Party shall, and shall not permit any of its Subsidiaries to, directly or indirectly, enter into, assume or become subject to any contractual obligation prohibiting or otherwise restricting the existence of any Lien upon any Collateral in favor of the Administrative Agent to secure the Obligations, whether now owned or hereafter acquired except (i) in connection with any document or instrument governing Purchase Money Liens permitted herein, provided that any such restriction contained therein relates only to the Property subject to such ~~Permitted~~Purchase Money Liens, (ii) with consent of the Administrative Agent and (iii) pursuant to the Revolving Loan Documents and the Intercreditor Agreement. Nothing in this Section 6.14 shall prohibit (1) this Agreement or any of the other Loan Documents, or (2) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted hereunder pending the consummation of such sale~~,~~ (3) restrictions imposed by applicable law, (4) any agreement in effect at the time a Person first became a Subsidiary of any Loan Party, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary and such restrictions are limited to such Subsidiary and its Subsidiaries, (5) in the case of any Subsidiary that is not a wholly-owned Subsidiary of Holdings, restrictions and conditions imposed by its organizational documents or any related joint venture, shareholder or similar agreements, or (6) contained in any financing documentation governing Indebtedness permitted to be incurred hereunder that are incurred by a Subsidiary that is not required to be a Guarantor, so long as such restrictions operate only upon the occurrence and during the continuance of an event of default under the documentation governing such Indebtedness and only impose restrictions on such Subsidiary and its Subsidiaries.

**6.16** **Holding Company Status**. Notwithstanding anything contained in this Agreement or the other Loan Documents to the contrary, Holdings shall not (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Revolving Loan Documents ~~and~~, the Related Agreements and the HHG Note, (b) hold any assets other than (i) all of the issued and outstanding Equity Interests of the Borrower Agent, (ii) contractual rights pursuant to the Loan Documents, the Revolving Loan Documents and Related Agreements, and (iii) cash and cash equivalents in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including without limitation audit fees, director and officer compensation and indemnification obligations pursuant to its Organic Documents), (c) incur any liabilities other than under the Loan Documents, the Revolving Loan Documents, the Related Agreements, ~~Permitted Contingent Obligations~~ and obligations incurred in the Ordinary Course of Business related to its existence, including taxes, franchise or other entity existence taxes and fees payable to the State of Delaware, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Organic Documents, (d) merge, amalgamate or consolidate with any other Person, (e) sell or otherwise transfer any of its assets, (f) permit or suffer to exist any Lien on any of its assets other than Permitted Liens, or (g) accept or receive any Collateral (other than distributions that are expressly permitted by Section 6.10).

**6.17** **Use of Proceeds**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, use the proceeds of the Term Loans other than for lawful purposes and in accordance with Sections 4.10 and 4.12.

**6.18** **Tax Consolidation**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person other than Holdings, the Borrowers and their Subsidiaries.

**6.19** **Accounting Changes**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, make any material change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year or any fiscal quarter.

**6.20** **Hedging Agreements**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, enter into any Swap Contract, except to hedge risks arising in the Ordinary Course of Business and not for speculative purposes.

**6.21** **Plans**. No Loan Party shall, nor shall it permit any of its Subsidiaries to, become party to any Multiemployer Plan, Canadian Multi-Employer Plan, Foreign Plan or Canadian Defined Benefit Pension Plan, other than any in existence on the Closing Date or maintain, contribute or have any liability in respect of, or acquire any Person that maintains, contributes or has any liability in respect of, a Canadian Pension Plan or Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan during the term of this Agreement.

**6.22** **Board Observer**. Each Loan Party shall allow (i) one (1) non-voting representative designated by the Administrative Agent (such representative, the "Attending Observer") to attend either in person or telephonically, in the capacity of an observer and not a member, all meetings and all calls of the board of directors, board of managers or similar governing body of each of the Loan Parties, including all committees and sub-committees thereof (each, a "Governing Body"), and (ii) one (1) non-voting representative designated by each Lender (each such representative, a "Call-In Observer", and the Call-In Observers and the Attending Observer, collectively, the "Observers") to attend telephonically, in the capacity of an observer and not a member, all meetings and all calls of each Governing Body. Each Loan Party shall (a) give each Observer prior written notice of all such meetings and calls of each Governing Body at the same time as notice is furnished to the members of the applicable Governing Body, but, in any event, no later than seventy two (72) hours prior to such meeting or call, (b) provide each Observer with all notices, documents and information furnished to the members of the Governing Body in connection with each such meeting or call, whether at or in anticipation of such meeting or call, an action by written consent or otherwise, at the same time as such materials are furnished to the members of the applicable Governing Body, but, in any event, no later than seventy two (72) hours prior to such meeting or call, and (c) provide to each Observer copies of the minutes and resolutions of all such meetings and calls at the same time as such minutes and resolutions are furnished to the members of the applicable Governing Body. Presence of any Observer in a meeting of a Governing Body shall not be considered in determining a quorum for any meeting of such Governing Body or for any other purpose in connection with the validity or otherwise of any action taken by such Governing Body. A majority of the members of the applicable Governing Body may exclude any Observer from any meeting or portion thereof, or from receiving any materials if, it believes that (i) such exclusion is necessary to preserve attorney-client privilege or confidentiality or (ii) there exists, with respect to any such meeting or materials, an actual or potential conflict of interest between Holdings or the Governing Body, and the Administrative Agent, the Lenders or their affiliates or such Observer (including as to discussion or materials regarding the Term Loans or any Loan Documents). The Loan Parties hereby consent to the disclosure by an Observer to the Administrative Agent or any Lender, and the disclosure by the Administrative Agent to each of the Lenders, of all materials and other information received by an Observer in his or her capacity an Observer or otherwise pursuant to, or in connection with, this Section 6.21 subject to the confidentiality provisions of the Credit Agreement. Each Governing Body shall hold regularly scheduled meeting at least once per fiscal quarter and, with respect to each such quarterly meeting, the Loan Parties shall provide each Observer with notice of the date of such quarterly meeting no later than the last day of the immediately prior fiscal quarter. The Loan Parties will pay, or will cause one of its Subsidiaries to pay, the reasonable out-of-pocket costs and expenses incurred by an Observer in the course of his or her service hereunder, including in connection with attending regular and special meetings of a Governing Body, or any of its committees, in each case, subject to the Loan Parties' policies and procedures with respect thereto (including the requirement of reasonable documentation thereof). The Loan Parties shall cause the Governing Body to hold at least one meeting of the Governing Body each calendar quarter.

**6.23 [Reserved]**.

**6.24 Chief Restructuring Officer**. On or prior to September 14, 2018, the Loan Parties shall have retained a chief restructuring officer (the "CRO"), which CRO must be retained from either FTI Consulting, Conway MacKenzie or Zolfo Cooper, and the terms of such retention, and the scope of work of such CRO, shall have been approved by each of the Lenders. Following the initial retention of the CRO in accordance with this Section 6.23, the Loan Parties shall maintain the retention of the CRO until the earlier of (i) such date as the Borrowers and the Lenders mutually agree that the services of the CRO are no longer necessary, (ii) the first day of any calendar month on which the aggregate Adjusted Consolidated EBITDA for the six full calendar month period ending immediately preceding such day shall have been at least $6,500,000 and (iii) the Covenant Change Date has occurred.

**6.25 Prohibited Transactions**. Notwithstanding anything set forth in the Credit Agreement or any Loan Document to the contrary, no Loan Party shall (and no Loan Party shall permit any of their respective Subsidiaries to):

(a) make or pay any Restricted Payment other than Tax Distributions permitted to be made pursuant to Section 6.10;

(b) pay any ~~Permitted Management Fees or pay any other~~ management fees to the Manager, the Sponsor, the Co-Investor, any of their respective Affiliates or any other person or entity;

(c) form, establish, create or invest in any Subsidiary or any other Person;

(d) liquidate or dissolve, or consolidate or merge with any Person;

(e) pay any earnout or any similar obligation, including, without limitation, any Asset Acquisition Earnout Obligation;

(f) declare, make or pay any intercompany loans, investments or other transfer of assets (including any Permitted Intercompany Loans) from the Borrowers or any of their domestic Subsidiaries to any Canadian Subsidiaries;

(g) prepay or repay any Indebtedness before the maturity date of such Indebtedness (other than regularly scheduled payments of principal and interest) other than to repay on the ~~Revolver~~Revolving Loans; or

(h) make any Investment, including any Permitted Investment, other than any Permitted Investment of the type specified in clause (ii), (iii), (v)(d) or (viii) of the definition of "Permitted Investment".

**6.26 Required Equity Infusion**.

(a) On the Amendment No. 3 Effective Date, Holdings shall have received, and shall have made a cash common equity contribution to the Borrowers of, the Net Cash Proceeds from the issuance and sale of Equity Interests (other than Disqualified Equity Interests) to the existing direct and indirect holders of Equity Interests of Holdings in an aggregate amount not less than $11,000,000, in each case, on terms and conditions satisfactory to the Lenders.

(b) On or prior to August 29, 2018, Holdings shall have received, and shall have made a cash common equity contribution to the Borrowers of, the Net Cash Proceeds from the issuance and sale of Equity Interests (other than Disqualified Equity Interests) to third party investors that are unaffiliated with the existing direct and indirect holders of Equity Interests of Holdings in an aggregate amount (after deducting any amount of such Net Cash Proceeds that shall be applied by the Loan Parties to repay up to $2,000,000 of Subordinated Indebtedness) not less than $10,000,000, in each case, on terms and conditions satisfactory to the Lenders.

(c) The Loan Parties shall not apply the proceeds of the issuances and sales of Equity Interests pursuant to clauses (a) and (b) above to the repayment of any Subordinated Indebtedness other than a repayment, in the aggregate, of up to $2,000,000 of Subordinated Indebtedness.

**6.27 Lender Meetings**. If requested by the Lenders, the Loan Parties shall make the senior management of the Loan Parties available for up to two (2) in-person meetings each calendar year with the Administrative Agent and the Lenders during which (i) the Loan Parties' senior management shall provide the Administrative Agent with a reasonably detailed update of the Loan Parties' operations and financial position and (ii) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from the Loan Parties' senior management with respect to the Loan Parties' operations and financial position. At the option of the Lenders, any such meeting shall be held at any facility of the Loan Parties requested by the Lenders.

**6.28 Events Related to Executive Officers**. In the event that the employment or engagement of any executive officer of any of the Loan Parties shall terminate or expire for any reason (including, without limitation, by reason of any resignation by such executive officer or any termination of such executive officer by any Loan Party), (i) the Loan Parties shall notify the Lenders in writing of such event no later than forty eight (48) hours following such termination or expiration and (ii) the applicable Loan Party shall not hire or engage any replacement of such executive officer without the Lender's prior written consent (which consent shall not be unreasonably withheld).

**6.29 Side Agreement**. The Loan Parties shall cause Hydrofarm Holdings Group, Inc. and Hydrofarm Investment Corp. to comply with the terms of the Side Agreement, including the execution and delivery of the documents described therein and on the timeframes set forth therein.

**6.30 Milestones**. The Loan Parties will:

(a) On or prior to March 31, 2019, cease to occupy, and deliver evidence to Administrative Agent (in form and substance satisfactory to Administrative Agent) that the Borrowers have ceased occupying, the facilities located in Florida and the Sunblaster Facility in British Columbia.

(b) Achieve annualized cost reductions of at least $750,000 prior to April 30, 2019.

~~**6.30 Refinancing of Revolving Loan Facility.**~~

~~**(a) On or prior to the "Revolver Termination Date" (as defined in the Revolving Loan Agreement as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, dated as of the Amendment No. 4 Effective Date, and after giving effect to any further amendment or modification thereto permitted under this Agreement and the Intercreditor Agreement)), the Loan Parties shall (i) enter into a Permitted Refinancing Revolving Loan Facility and (ii) repay in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement.**~~

~~(b) Without limiting the provisions of clause (a) above, prior to entering into any Revolving Loan Facility that refinances, or otherwise incurring any Indebtedness that refinances, all or any portion of the Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement (a "Refinancing Facility"), the Loan Parties shall provide written notice to the Lenders at least fifteen (15) Business Days prior to entering into such Revolving Loan Facility or incurring such Indebtedness, which notice shall set forth all material terms and conditions of the proposed Refinancing Facility and shall identify the proposed lenders in respect thereof.~~

## ARTICLE VII
## EVENTS OF DEFAULT

**7.1 Events of Default**. The term " Event of Default" means any of the following events occurring for whatever reason, whether voluntary or involuntary, effected by operation of law, judgment, order or otherwise:

(a) A failure to pay when and as due any Obligations (whether at stated maturity, on demand, upon acceleration or otherwise);

(b) Any representation, warranty or other written statement of a Loan Party made in connection with any Loan Documents or transactions contemplated thereby is incorrect or misleading in any material respect when given;

(c) A default in the due performance and observance of any of the covenants or agreements contained in Sections 5.1, 5.2(a), 5.5, 5.6, 5.7, 5.13, 5.14 or 9.23 or Article VI;

(d) A Loan Party breaches or fails to perform any other covenant contained in any Loan Documents, and such breach or failure is not cured within thirty (30) days after a Responsible Officer of such Loan Party has knowledge thereof or receives notice thereof from the Administrative Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by a Loan Party;

(e) Any of the following shall occur: (i) a Guarantor repudiates, revokes or attempts to revoke its Guaranty, (ii) a Loan Party or an Affiliate thereof denies or contests the validity or enforceability of any Loan Documents or Obligations, or the perfection or priority of any Lien granted to the Administrative Agent for the benefit of the Secured Parties (except as modified by the Intercreditor Agreement), or (iii) any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by the Administrative Agent and Lenders);

(f) Any breach or default of a Loan Party or Canadian Subsidiary occurs under (i) any Swap Contract or (ii) any instrument or agreement to which it is a party or by which it or any of its Properties is bound relating to (x) the Revolving Loan Obligations or (y) any other Indebtedness (other than the Obligations or the Revolving Loan Obligations), in the case of this clause (y), in excess of $~~1,000,000,~~500,000, in either case of clauses (i) or (ii), if the maturity of or any payment with respect to such Indebtedness may be accelerated or demanded due to such breach;

(g) Any final judgment or order for the payment of money is entered against a Loan Party or Canadian Subsidiary in an amount that remains unpaid for more than ten (10) days and that exceeds, individually or cumulatively with all unsatisfied judgments or orders against all Loan Parties and Canadian Subsidiaries, $~~1,000,000~~500,000 (net of insurance coverage therefor that has not been denied by the insurer), unless a stay of enforcement of such judgment or order is in effect;

(h) ~~A~~An uninsured loss, theft, damage or destruction occurs with respect to any ~~Term Loan Priority~~ Collateral ~~if the amount not covered by insurance exceeds $1,000,000~~;

(i) Any of the following shall occur: (i) a Loan Party or Canadian Subsidiary is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business, (ii) a Loan Party or Canadian Subsidiary suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to its business, (iii) there is a cessation of any material part of a Loan Party's or Canadian Subsidiary's business for a material period of time, (iv) any material Collateral or Property of a Loan Party or Canadian Subsidiary is taken or impaired through condemnation or expropriation, (v) except as expressly permitted by Section 5.2, a Loan Party or Canadian Subsidiary agrees to or commences any liquidation, dissolution or winding up of its affairs, or (vi) a Loan Party or Canadian Subsidiary is not Solvent;

(j) Any of the following shall occur: (i) an Insolvency Proceeding is commenced by a Loan Party or Canadian Subsidiary, (ii) a Loan Party or Canadian Subsidiary makes an offer of settlement, extension or composition to its unsecured creditors generally, (iii) a Loan Party or Canadian Subsidiary admits in writing its inability to pay its obligations generally as they become due, (iv) a trustee, receiver, interim receiver or similar official is appointed to take possession of any substantial Property of or to operate any of the business of a Loan Party or Canadian Subsidiary, or (v) an Insolvency Proceeding is commenced against a Loan Party or Canadian Subsidiary and, in the case of this clause (v), (A) the Loan Party or Canadian Subsidiary consents to institution of the proceeding, (B) the petition commencing the proceeding is not timely contested by the Loan Party or Canadian Subsidiary, (C) the petition is not dismissed within 60 days after filing, or (D) an order for relief is entered in the proceeding;

(k) Any of the following shall occur: (i) an ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan that has resulted or could reasonably be expected to result in liability of a Loan Party or ERISA Affiliate to a Pension Plan, Multiemployer Plan or PBGC, or that constitutes grounds for appointment of a trustee for or termination by the PBGC of any Pension Plan or Multiemployer Plan, (ii) a Loan Party or ERISA Affiliate fails to pay when due any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, or (iii) any event similar to the foregoing occurs or exists with respect to a Foreign Plan;

(l) Any of the following shall occur: (i) a Termination Event shall occur or any Canadian Multi-Employer Plan or Canadian Defined Benefit Pension Plan shall be terminated, in each case, in circumstances which would result or could reasonably be expected to result in a Canadian Subsidiary being required to make a contribution to or in respect of a Canadian Pension Plan, a Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan, or results in the appointment, by FSCO, of an administrator to wind up a Canadian Pension Plan, or (ii) any Canadian Subsidiary is in default with respect to any required contributions to a Canadian Pension Plan;

(m) A Loan Party or its chairman of the board, president, chief executive officer **or**, chief financial officer or any other officer is (i) criminally indicted or convicted for (~~i~~A) a felony committed in the conduct of the Loan Party's business, or (~~ii~~B) violating any state or federal law (including the Controlled Substances Act, Money Laundering Control Act of 1986 and Illegal Exportation of War Materials Act) that could lead to forfeiture of any material Property of any Loan Party or any Collateral, or (ii) is otherwise indicted under any criminal statute relating to the business affairs of the Loan Parties;

(n) A Change of Control occurs;

(o) Any of the following shall occur: (i) the Intercreditor Agreement shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall contest in any manner, or assist any Person party thereto to contest in any manner, the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement, the Security Documents or the Intercreditor Agreement ~~or~~, (ii) the subordination provisions of any agreement or instrument relating to any Subordinated Indebtedness shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than the Administrative Agent or the Lenders) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions, or (iii) the subordination provisions of any agreement or instrument relating to the HHG Note shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect, or any Person party thereto (other than the Administrative Agent or the Lenders) shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason, shall not have the priority contemplated by this Agreement or such subordination provisions;

(p) Any Loan Document or any material provision of any Loan Document shall at any time and for any reason cease to be valid and binding on or enforceable against any Loan Party party thereto or any Loan Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any security interest and Lien on the Collateral purported to be granted to the Administrative Agent for the benefit of the Secured Parties by any Security Document shall for any reason (other than as expressly permitted hereunder or pursuant to the terms thereof) cease to be in full force and effect or create a valid security interest in any material portion of the Collateral or such security interest shall for any reason (other than the failure of the Administrative Agent to take any action within its control) cease to be a perfected security interest with the priority stated in the Security Documents, except (in each case) (x) to the extent that any such grant, perfection or priority is not required pursuant to the terms hereof or the Security Documents and (y) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage;

(q) Any of the following shall occur: (i) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp., Holdings or any of the Borrowers shall breach or fail to perform any covenant contained in the Side Agreement, (ii) Hydrofarm Investment Corp. or any Subsidiary of Hydrofarm Holdings Group, Inc. or Hydrofarm Investment Corp. formed to be the "Acquiring Entity" (as defined in the Side Agreement) shall breach or fail to perform any guarantee, agreement or other instrument entered into in connection with, or pursuant to, the Side Agreement (the "Side Agreement Documents"), (iii) any representation, warranty or other written statement of Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries made in connection with the Side Agreement or any Side Agreement Document or transactions contemplated thereby is incorrect or misleading in any material respect when given, (iv) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries repudiates, revokes or attempts to revoke the Side Agreement or any Side Agreement Document or any of its obligations thereunder, (v) Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp. or any of their respective Subsidiaries or any Affiliate thereof denies or contests the validity or enforceability of the Side Agreement or any Side Agreement Document, or the perfection or priority of any Lien granted to the Administrative Agent for the benefit of the Secured Parties pursuant to the Side Agreement or any Side Agreement Document, (vi) the Side Agreement or any Side Agreement Document ceases to be in full force or effect for any reason (other than a waiver or release by the Administrative Agent and Lenders), (vii) any security interest and Lien purported to be granted to the Administrative Agent for the benefit of the Secured Parties by any Side Agreement Document shall for any reason cease to be in full force and effect or create a valid security interest in any material portion of the collateral purported to be granted thereunder or such security interest shall for any reason (other than the failure of the Administrative Agent to take any action within its control) cease to be a perfected security interest with the priority stated in any Side Agreement Document, or (viii) any "event of default" (or similar term) shall occur under the Side Agreement or any Side Agreement Document; **or**

(r) Any Loan Party makes any payment on account of the Subordinated Debt, the HHG Note or any Indebtedness or obligation which has been contractually subordinated to the Obligations other than payments which are not prohibited by the applicable subordination provisions pertaining thereto;

(s) Bill Toler ceases to be employed as, and actively perform the duties of, the chief executive officer of each Loan Party, unless a successor is appointed within ninety (90) days after the termination of such individual's employment and such successor is reasonably satisfactory to Administrative Agent; or

(t) ~~**(r) The Loan Parties shall fail, for any reason, to enter into a Permitted Refinancing Revolving Loan Facility and repay in full all of the outstanding Indebtedness and other Revolving Loan Obligations under the Revolving Loan Agreement by the "Revolver Termination Date" (as defined in the Revolving Loan Agreement as in effect on the Amendment No. 4 Effective Date (after giving effect to the Fourth Amendment to Revolving Loan Agreement, dated as of the Amendment No. 4 Effective Date, and any extensions of the Revolver Termination Date agreed to by the Revolving Loan Lenders))**~~any Loan Party determines to employ an agent or other third party or otherwise engage any Person or solicit proposals for the engagement of any Person (i) in connection with the proposed liquidation of all or a material portion of its assets, or (ii) to conduct any so-called closing, liquidation or "Going Out Of Business" sales.

**7.2 Action If Event of Default**. If an Event of Default described in Section 7.1(j) shall occur, to the extent permitted by law, the full unpaid principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder shall automatically be due and payable without any declaration, notice, presentment, protest or demand of any kind (all of which are hereby waived). If any Event of Default other than pursuant to Section 7.1(j) shall occur and be continuing, the Required Lenders, upon written notice to the Borrower Agent (which shall be given by the Administrative Agent at the request of the Required Lenders), may declare the outstanding principal amount of and interest on the Term Loans and all other amounts due and owing and Obligations hereunder to be due and payable without other notice to any Borrower, presentment, protest or demand of any kind (all of which are hereby waived), whereupon the full unpaid amount of the Term Loans and any and all other Obligations, which shall be so declared due and payable shall bear interest at the Default Rate and shall be and become immediately due and payable.

**7.3 Remedies**.

(a) Upon acceleration of the Term Loans, as provided in Section 7.2, the Administrative Agent shall, at the request of the Required Lenders, exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents and/or under applicable law.

(b) The Administrative Agent, personally or by attorney, shall, at the request of the Required Lenders, proceed to protect and enforce its rights and the rights of the Lenders by pursuing any available remedy, including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in this Agreement or in the Notes, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Administrative Agent shall deem most effectual to collect the payments then due and thereafter to become due on the Notes or under this Agreement, to enforce performance and observance of any obligation, agreement or covenant of a Borrower hereunder or under the Notes or to protect and enforce any of the Administrative Agent's or any Lender's rights or duties hereunder.

(c) Upon acceleration of the Term Loans, as provided in Section 7.2, to the extent permitted by law, the Administrative Agent shall, if so directed by the Required Lenders, have the right to the appointment of a receiver for the Collateral of the Loan Parties pledged to secure the Obligations, both to operate and to sell such Collateral, and each Borrower hereby consents to such right and such appointment and hereby waives, to the fullest extent permitted by applicable law, any objection each Borrower may have thereto or the right to have a bond or other security posted by the Administrative Agent on behalf of the Lenders in connection therewith.

(d) No remedy herein conferred upon or reserved to the Administrative Agent or any Lender is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or under any other Loan Document now or hereafter existing at law, in equity or by statute.

(e) Each Lender agrees that it will not take any action, nor institute any actions or proceedings, against a Borrower hereunder or under any Loan Document, without the prior written consent of the Required Lenders or, as may be provided in this Agreement or the other Loan Documents, at the direction of the Administrative Agent with the consent of the Required Lenders.

**ARTICLE VIII**
**THE ADMINISTRATIVE AGENT**

**8.1** **Appointment and Authorization**. Each Lender hereby irrevocably appoints the Administrative Agent as the Administrative Agent of such Lender and authorizes the Administrative Agent to act on such Lender's behalf to the extent provided herein or under any of the other Loan Documents, and to take such other action and exercise such other powers as may be reasonably incidental thereto. Each Lender hereby agrees that it will require any transferee of any of such Lender's interests in its Term Loans to irrevocably appoint and authorize the Administrative Agent as such transferee's Administrative Agent in accordance with the terms hereof. Notwithstanding the use of the term "agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to the Loan Parties, any of the Lenders or any other Person (and no such fiduciary duties shall be implied) and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. The Borrowers, on behalf of the Loan Parties, and each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims the Borrowers and each Lender hereby waives.

**8.2** **Power**. The Administrative Agent shall have and may exercise such powers under this Agreement and any other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of the Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to any Loan Document or applicable law. The Administrative Agent shall not have any implied duties or any obligation to take any action under this Agreement or any other Loan Document except such action as is specifically provided by this Agreement or any other Loan Document to be taken by the Administrative Agent.

**8.3** **Interest Holders**. The Administrative Agent may treat each Lender, or the Person designated in the last notice filed with the Administrative Agent, whether under Section 9.3 or 9.9, or otherwise hereunder, as the holder of all of the interests of such Lender in its Term Loans until written notice of transfer, signed by such Lender (or the Person designated in the last notice filed with the Administrative Agent) and by the Person designated in such written notice of transfer, in form and substance satisfactory to the Administrative Agent, shall have been filed with the Administrative Agent.

**8.4** **Employment of Counsel; etc**. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document, and any instrument, agreement or document executed, issued or delivered pursuant or in connection herewith or therewith, by or through employees, agents and attorneys-in-fact and shall not be answerable for the default or misconduct of any such employee, agent or attorney-in-fact selected by it with reasonable care (other than employees, officers and directors of the Administrative Agent, when acting on behalf of the Administrative Agent). The Administrative Agent shall be entitled to rely on advice of counsel (including counsel who are the employees of the Administrative Agent) selected by the Administrative Agent concerning all matters pertaining to the agency hereby created and its duties under any of the Loan Documents.

**8.5** **Reliance**. The Administrative Agent shall be entitled to rely upon and shall not be under a duty to examine or pass upon the validity, effectiveness, genuineness of this Agreement, any other Loan Document or any notice, consent, waiver, amendment, certificate, affidavit, letter, telegram, statement, paper, document or writing furnished pursuant to this Agreement or any other Loan Document, and the Administrative Agent shall be entitled to assume (absent actual knowledge to the contrary) that the same are valid, effective and genuine, have been signed or sent by the proper Person(s) and are what they purport to be. The Administrative Agent shall be entitled to assume that no Default has occurred and is continuing unless it has actual knowledge, or has been notified in writing by the Borrower Agent, of such fact, or has been notified by a Lender in writing that such Lender considers that a Default has occurred and is continuing, and such Lender shall specify in detail the nature thereof in writing. The Administrative Agent shall not be liable hereunder for any action taken or omitted to be taken except for its own gross negligence or willful misconduct. The Administrative Agent shall provide promptly each Lender with copies of such documents received from the Borrower Agent pursuant to the terms of this Agreement or any other Loan Document as such Lender may reasonably request.

**8.6** **General Immunity**. Neither the Administrative Agent nor any of the Administrative Agent's directors, officers, agents, attorneys or employees shall be liable or responsible in any manner to any Loan Party, any Lender or any other Person for any action taken or omitted to be taken by it or them under the Loan Documents or in connection therewith except for any liability imposed by law for its own willful misconduct or gross negligence. Without limitation on the generality of the foregoing, the Administrative Agent: (a) shall not be responsible to any Lender for any recitals, statements, warranties, representations, or failure or delay of performance under the Loan Documents or any agreement or document related thereto or for the financial condition of the Loan Parties; (b) shall not be responsible for the authenticity, accuracy, completeness, value, validity, effectiveness, due execution, legality, genuineness, enforceability or sufficiency of any of the Loan Documents, any provisions thereof or any document contemplated thereby; (c) shall not be responsible for the validity, genuineness, creation, perfection or priority of any of the Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security; (d) shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, covenants or conditions of any of the Loan Documents on the part of the Loan Parties or of any of the terms of any such agreement by any party thereto and shall have no duty to inspect the property (including the books and records) of the Loan Parties; (e) shall incur no liability under or in respect of any of the Loan Documents or any other document or Collateral by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) furnished pursuant to this Agreement or any other Loan Document; (f) shall incur no liability to the Loan Parties or any other Person as a consequence of any failure or delay in performance by, or any breach by, any Lender or Lenders of any of its or their obligations under this Agreement; and (g) may consult with legal counsel (including counsel for the Borrowers), independent public accountants and other experts selected by the Administrative Agent.

**8.7** **Credit Analysis**. Each Lender has made, and shall continue to make, its own independent investigation or evaluation of the operations, business, property and condition, financial and otherwise, of the Loan Parties in connection with the making of its commitments hereunder and has made, and will continue to make, its own independent appraisal of the creditworthiness of the Loan Parties. Without limiting the generality of the foregoing, each Lender acknowledges that prior to the execution of this Agreement, it had this Agreement and all other Loan Documents and such other documents or matters as it deemed appropriate relating thereto reviewed by its own legal counsel as it deemed appropriate, and it is satisfied with the form and substance of this Agreement and all other Loan Documents. Each Lender agrees and acknowledges that neither the Administrative Agent nor any of its directors, officers, attorneys or employees makes any representation or warranties about the creditworthiness of the Loan Parties or with respect to the due execution, legality, validity, genuineness, effectiveness, sufficiency or enforceability of this Agreement or any other Loan Documents, or the validity, genuineness, execution, perfection or priority of Liens created or reaffirmed by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any Collateral or other security. Except as explicitly provided herein, neither the Administrative Agent nor any Lender has any duty or responsibility, either initially or on a continuing basis, to provide any other Lender with any credit or other information with respect to such operations, business, property, condition or creditworthiness, whether such information comes into its possession on or before a Default or an Event of Default or at any time thereafter.

**8.8** **Administrative Agent and Affiliates**. With respect to the Term Loans made by it and the Notes issued to it, the Administrative Agent, in its individual capacity, shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not an Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent, in its individual capacity, and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Loan Parties, and any Person who may do business with or own securities of the Loan Parties, all as if it were not an Administrative Agent and without any duty to account therefor to the Lenders.

**8.9** **Indemnification**. The Lenders jointly and severally agree to indemnify and hold harmless the Administrative Agent and its officers, directors, employees and agents (to the extent not reimbursed by the Borrowers), ratably according to their respective Commitments and Term Loans, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or any of its officers, directors, employees or agents, in any way relating to or arising out of any investigation, litigation or proceeding concerning or relating to the transaction contemplated by this Agreement or any of the other Loan Documents, or any of them, or any action taken or omitted by the Administrative Agent or any of its officers, directors, employees or agents, under any of the Loan Documents; provided, however, that no Lender shall be liable for any portion of such claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent or any of its officers, directors, employees or agents. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for such Lender's proportionate share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent or its officers, directors, employees or agents in connection with the preparation, execution, administration, or enforcement of, or legal advice in respect of rights or responsibilities under any of, the Loan Documents, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrowers.

**8.10** **Security Documents**. The Administrative Agent, as collateral agent hereunder and under the Security Documents, is hereby authorized to act on behalf of the Secured Parties, in its own capacity and through other agents and sub-agents appointed by it in good faith, under the Security Documents, provided that the Administrative Agent shall not agree to the release of any Collateral, or any property encumbered by any mortgage, pledge or security interests except in compliance with Section 8.11. In connection with its role as secured party with respect to the Collateral hereunder, the Administrative Agent shall act as collateral agent, for itself and for the ratable benefit of the Lenders, and such role as Administrative Agent shall be disclosed on all appropriate accounts, filings, mortgages, and other Collateral documentation.

**8.11** **Collateral Matters**. The Administrative Agent is authorized on behalf of all the Lenders without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to the Security Documents or any Collateral thereunder which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Security Documents. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon payment in full of all Term Loans and all other Obligations of the Loan Parties known to the Administrative Agent and payable under this Agreement or any other Loan Document; (ii) constituting Property sold or to be sold or disposed of to a Person that is not a Loan Party as part of or in connection with any Asset Disposition permitted hereunder; (iii) consisting of an instrument evidencing Indebtedness or other debt instrument, if the Indebtedness evidenced thereby has been paid in full; or (iv) if approved, authorized or ratified in writing by all the Lenders. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 8.11, provided that the absence of any such confirmation for whatever reason shall not affect the Administrative Agent's rights under this Section 8.11. In the event that any landlord in favor of which a Loan Party has granted a Permitted Lien on Excluded Assets requests an acknowledgement that the Collateral does not include any Excluded Assets secured by such Permitted Lien (a "Permitted Lien Acknowledgement"), the Administrative Agent shall deliver a Permitted Lien Acknowledgement to such landlord, on terms and conditions, and subject to documentation reasonably acceptable to the Administrative Agent and, if required by such landlord, shall amend any UCC-1 financing statements filed against a Loan Party in favor of the Administrative Agent to exclude the specific Excluded Assets that are the subject of such Permitted Lien Acknowledgement.

**8.12** **Action by the Administrative Agent**.

(a) The Administrative Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights with which it may be vested and with respect to taking or refraining from taking any action or actions which it may be able to take under or in respect of, this Agreement, unless the Administrative Agent shall have been instructed by the Required Lenders to exercise or refrain from exercising such rights or to take or refrain from taking such action; provided that the Administrative Agent shall not exercise any rights under Section 7.3 of this Agreement except upon the request of the Required Lenders or of all the Lenders, where expressly required by this Agreement. The Administrative Agent shall incur no liability under or in respect of this Agreement with respect to anything which it may do or refrain from doing in the exercise of its judgment or which may seem to it to be necessary or desirable in the circumstances, except for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court having jurisdiction over the subject matter.

(b) The Administrative Agent shall not be liable to the Lenders or to any Lender in acting or refraining from acting under this Agreement or any other Loan Document in accordance with the instructions of the Required Lenders or of all the Lenders, where expressly required by this Agreement, and any action taken or failure to act pursuant to such instructions shall be binding on all Lenders.

(c) Notice of Default or Event of Default. In the event that the Administrative Agent or any Lender shall acquire actual knowledge, or shall have been notified in writing, of any Default (other than through a notice by one party hereto to all other parties), such Lender shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify the Lenders, and the Administrative Agent shall take such action and assert such rights under this Agreement and the other Loan Documents as the Required Lenders (or all the Lenders, where expressly required by this Agreement) shall request in writing, and the Administrative Agent shall not be subject to any liability by reason of its acting pursuant to any such request. If the Required Lenders shall fail to request the Administrative Agent to take action or to assert rights under this Agreement in respect of any Default within ten (10) days after their receipt of the notice of any Default from the Administrative Agent or any Lender, or shall request inconsistent action with respect to such Default, the Administrative Agent may, but shall not be required to, take such action and assert such rights as it deems in its discretion to be advisable for the protection of the Lenders, except that, if the Required Lenders have instructed the Administrative Agent not to take such action or assert such right, in no event shall the Administrative Agent act contrary to such instructions.

**8.13** **Successor Administrative Agent**. The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving thirty (30) days' prior written notice thereof to the Lenders and the Borrower Agent. Upon any such resignation, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), have the right to appoint a successor Administrative Agent hereunder that is organized under the laws of the United States of America or a political subdivision thereof. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, with (so long as no Event of Default exists) the consent of the Borrower Agent (which shall not be unreasonably withheld or delayed), appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any state thereof and having a combined capital and surplus of at least $250,000,000. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date. Upon the acceptance of any appointment as Administrative Agent under the Loan Documents by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Administrative Agent's resignation as Administrative Agent under the Loan Documents, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

**8.14** **Legal Representation of Administrative Agent**. In connection with the negotiation, preparation and execution of this Agreement and the other Loan Documents, and in connection with future legal representation relating to loan administration, amendments, modifications, waivers or enforcement of remedies in connection herewith, Greenberg Traurig LLP has represented only and shall represent only Brightwood Loan Services LLC, in its capacity as Administrative Agent. Each Borrower and each other Lender hereby acknowledges that Greenberg Traurig LLP does not represent it in connection with any such matters.

## ARTICLE IX
## MISCELLANEOUS

**9.1** **Waivers, Amendments; etc**. The provisions of this Agreement, including the closing conditions set forth herein, may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower Agent and the Required Lenders; provided, that no amendment, waiver or consent shall: (a) increase the Commitment of any Lender or subject a Lender to any additional obligations, without the written consent of such Lender, (b) reduce the principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable to any Lender hereunder without the written consent of such Lender, (d) change the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, unless in writing and signed by all the Lenders, (e) discharge any Borrower from its obligations under the Loan Documents, unless in writing and signed by all the Lenders, (f) amend Section 2.8 or this Section 9.1, unless in writing and signed by all Lenders or (g) except as specifically permitted hereby or thereby, release or impair the security interest in any of the Collateral granted to the Administrative Agent, for the benefit of the Secured Parties, under the Security Documents or discharge any Guarantor, unless in writing and signed by all the Lenders; provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

No failure or delay on the part of the Administrative Agent, any Lender or the holder of any Note in exercising any power or right under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on any Borrower in any case shall entitle it to any notice or demand in similar or other circumstances.

Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

**9.2** **Payment Dates**. Except as expressly provided in this Agreement, whenever any payment to be made hereunder by or to the Lenders or to the holder of any Note shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in computing the fees or interest payable on such next succeeding Business Day.

**9.3** **Notices**. All communications and notices provided under this Agreement shall be in writing by in writing (including email or facsimile transmission), telecopy or personal delivery and if to a Loan Party addressed or delivered to such Loan Party at its address shown on the signature page hereof or if to the Administrative Agent delivered to it at the address shown on **Schedule 9. 3** attached hereto, or to any party at such other address as may be designated by such party in a notice to the other parties. Any notice shall be deemed given when transmitted by email, telecopier or, when personally delivered, if mailed properly addressed, shall be deemed given upon the third Business Day after the placing thereof in the United States mail, postage prepaid.

**9.4** **Costs and Expenses**. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation of this Agreement, including exhibits, and the Loan Documents and any amendments hereto or thereto or consents or waivers hereunder or thereunder as may from time to time hereafter be required thereby or by the transactions contemplated hereby, including, but not limited to, the fees and out- of-pocket expenses of the Administrative Agent, charges and disbursements of special counsel to the Administrative Agent from time to time incurred in connection with the preparation and execution of this Agreement and any document relevant to this Agreement, including the Loan Documents, any amendments hereto or thereto, or consents or waivers hereunder or thereunder, and the consideration of legal questions relevant hereto and thereto. The Loan Parties, joint and severally, agree to pay, or reimburse, the Administrative Agent and each Lender upon demand for all costs and expenses (including attorneys', auditors' and accountants' fees and expenses) reasonably incurred and arising out of the transactions contemplated by this Agreement and the Loan Documents, in connection with any work-out or restructuring of the transactions contemplated hereby and by the Loan Documents and any collection or enforcement of the obligations of any Loan Party hereunder or thereunder, whether or not suit is commenced, including attorneys' fees and legal expenses (limited to one (1) primary counsel for the Administrative Agent and, if deemed appropriate by the Administrative Agent, one (1) counsel in each relevant jurisdiction and any special counsel (except in the case of actual or perceived conflict, in which case one (1) additional counsel for each Lender similarly situated in respect of such conflict)) in connection with any appeal of a lower court's order or judgment. The obligations of the Loan Parties under this Section 9.4 shall survive any termination of this Agreement.

**9.5** **Indemnification**. In consideration of the execution and delivery of this Agreement by the Administrative Agent and the Lenders, the Loan Parties, joint and severally, agree to indemnify and hold harmless the Administrative Agent and each Lender and their respective Affiliates, officers, directors, employees, shareholders, agents, successors and assigns (the "Indemnified Parties") from and against any and all losses, claims, damages, liabilities and expenses (other than the expenses to be paid or reimbursed pursuant to Section 9.4 above), joint or several, to which any such Indemnified Party may become subject arising out of or in connection with this Agreement and the other transactions contemplated hereby, the Term Loans and the use of proceeds thereof in connection with any claim, litigation, investigation or proceeding (any of the foregoing, a "Proceeding") relating to any of the foregoing, regardless of whether any such Indemnified Party is a party hereto or whether a Proceeding is brought by a third party or by you any Loan Party or Affiliate of a Loan Party, and to reimburse each such Indemnified Party within ten (10) days of receipt of an invoice for any reasonable legal or other out-of - pocket expenses incurred in connection with investigating or defending any of the foregoing; it being understood and agreed that no Loan Party shall be required to reimburse legal fees or expenses of more than one counsel to all Indemnified Parties, taken as a whole and in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel to each group of affected Indemnified Parties similarly situated taken as a whole (and, if reasonably necessary as determined by the Administrative Agent, a single local counsel for all Indemnified Parties taken as a whole in each relevant jurisdiction and, in the case of a conflict of interest where such Indemnified Parties affected by such conflict inform the Borrower Agent of such actual or potential conflict as determined in their sole discretion, one additional counsel in each relevant jurisdiction to each group of affected Indemnified Parties similarly situated taken as a whole); provided that the foregoing indemnity will not, as to any Indemnified Party, apply to losses, claims, damages, liabilities or related expenses to the extent (x) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of such Indemnified Party or any Related Indemnified Party (as defined below) of such Indemnified Party, (y) they have been determined in a final judgment of a court of competent jurisdiction to have resulted from a material breach of the material obligations of such Indemnified Party or any of its Related Indemnified Parties under this Agreement or any of the Loan Documents at a time when no Loan Party has breached its obligations hereunder in any material respect, or (z) they relate to any dispute solely among Indemnified Parties at a time when no Loan Party has breached its obligations hereunder or any other Loan Document in any material respect (other than any claims against the Administrative Agent in its capacity or in fulfilling its role as Administrative Agent, but not any other Person or entity party to any such Proceeding).

Notwithstanding any other provision of this Agreement or any Loan Document, (i) no Indemnified Party or Related Indemnified Party shall be liable for any damages arising from the use by others of information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent such damages have been determined in a final judgment of a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of any Indemnified Party and (ii) none of the Loan Parties, any of their Affiliates or any Indemnified Party or Related Indemnified Party shall be liable for any indirect, special, punitive or consequential damages incurred in connection with this Agreement or the transactions contemplated herein (provided that this provision shall not limit the Loan Parties' indemnification obligations set forth above). For purposes hereof, a "Related Indemnified Party" of an Indemnified Party means (1) any controlling person or controlled affiliate of such Indemnified Party, (2) the respective directors, trustees, officers, or employees of such Indemnified Party or any of its controlling persons or controlled Affiliates and (3) the respective agents or advisors of such Indemnified Party or any of its controlling persons or controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, controlling person or such controlled Affiliate; provided that each reference to a controlled Affiliate or controlling person in this paragraph pertains to a controlled Affiliate or controlling person involved in the negotiation of this Agreement and the other Loan Documents.

No Loan Party shall be liable for any settlement of any Proceedings effected without the Borrower Agent's consent (which consent shall not be unreasonably conditioned, withheld or delayed), but if settled with the Borrower Agent's written consent or if there is a final judgment for the plaintiff in any such Proceedings, the Loan Parties, jointly and severally, agree to indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages, liabilities and expenses by reason of such settlement or judgment in accordance with this Section 9.5. No Loan Party shall, without the prior written consent of an Indemnified Party, effect any settlement or consent to the entry of any judgment of any pending or threatened Proceedings in respect of which indemnity could have been sought hereunder by such Indemnified Party, unless (i) such settlement includes an unconditional release of such Indemnified Party in form and substance reasonably satisfactory to such Indemnified Party from all liability on claims that are the subject matter of such Proceedings, and (ii) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of such Indemnified Party.

The provisions of this Section 9.5 shall survive termination of this Agreement and payment in full of the Notes. This Section 9.5 shall not apply with respect to Taxes, other than Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

**9.6** **Severability**. Any provision of this Agreement, the Notes or any other Loan Document executed pursuant hereto which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, the Notes or any other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

**9.7** **Headings**. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

**9.8** **Governing Law**. This Agreement and the Notes shall each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

**9.9 Successors and Assigns**.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns except that: (i) other than as set forth in the Assumption Agreement, a Loan Party may not assign or transfer its rights hereunderwithout the prior written consent of all of the Lenders and the Administrative Agent, and (ii) any assignment by a Lender must be made in compliance with subsection (b) below and any participation by a Lender must be made in compliance with subsection (c) below. Notwithstanding clause (ii) of this subsection (a), any Lender may at any time, without the consent any Borrower or the Administrative Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank. Except to the extent otherwise required by its context, the word "Lender" where used in this Agreement means and includes any such assignee and such assignee shall be bound by and have the benefits of this Agreement the same as if such holder had been a signatory hereto.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities that are Eligible Assignees all or a portion of its Commitments, Term Loans, and its rights and obligations under this Agreement in respect thereof in accordance with the provisions of this subsection (b). Each assignment shall be of a constant, and not a varying, ratable percentage of the assigning Lender's rights and obligations under this Agreement and each Eligible Assignee shall assume a pro rata share of the assigning Lender's obligations determined by the percentage of the Commitments and Term Loans assigned for the period from the effective date of the assignment through the Maturity Date. Such assignment shall be substantially in the form of the Assignment and Assumption Agreement attached as **Exhibit D** hereto (the "Assignment and Assumption Agreement") and shall not be permitted hereunder unless (i) such assignment is for all of such Lender's Commitment and Term Loans and the rights and obligations under this Agreement related thereto, (ii) the amount of the Commitment and Term Loans assigned by the assigning Lender pursuant to each assignment shall be at least $1,000,000, or (iii) such assignment is to another Lender or an Affiliate of a Lender, in which case no minimum amount shall apply. The consent of the Administrative Agent and, provided no Default or Event of Default then exists, the Borrower Agent (which consents shall not be unreasonably withheld or delayed) shall be required prior to an assignment becoming effective with respect to a transferee which is not a Lender, an Affiliate of a Lender, or an Approved Fund. The Borrower Agent's consent shall be deemed to have been given unless the Borrower Agent objects within ten (10) Business Days after receipt of notice of such assignment. Upon (i) delivery to the Administrative Agent of an executed Assignment and Assumption Agreement, together with any required consents and (ii) payment of a $ 3,500 fee to the Administrative Agent by either the assigning Lender or the assignee Lender for processing such assignment, such assignment shall become effective on the effective date specified in such Assignment and Assumption Agreement; provided, that (a) if an assignment by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such assignment and (b) if an assignment by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such assignee, then only one assignment fee of $3,500 shall be due in connection with such assignment (unless waived or reduced by the Administrative Agent). On and after the effective date of such assignment, such transferee, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Commitment and Term Loans assigned to such transferee Lender. To the extent requested by the applicable Lenders, upon the consummation of any assignment pursuant to this Section 9.9 , the Administrative Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such transferee Lender, in each case in principal amounts reflecting their Commitment and Term Loans, as adjusted pursuant to such assignment.

(c) Each Lender may, without the consent of any Borrower, sell participations to one or more banks or other entities that are Eligible Assignees in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Term Loans owing to it hereunder); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of, and obligations under, Section 10.1 and of the cost protection provisions contained in Section 10.4, as well as Sections 9 .19 and 10.6 to the extent of the Lender selling such participation and the Borrowers' aggregate obligations with respect to Section 10.1 and Section 10.4 shall not be increased by reason of such participation, provided that such participant shall not be entitled to the benefits of Sections 10.1 and 10.4 unless such participant complies with Section 10.1(e) as (and to the extent) applicable, as if such participant were a Lender (it being understood that the documentation required under Section 10.1(e) shall be delivered to the participating Lender) (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right (and shall not limit its rights) to enforce the obligations of the Borrowers relating to the Term Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any fees payable hereunder (to the extent such participants are entitled to such fees) or the amount of principal of or the rate at which interest is payable on the Term Loans, or the dates fixed for payments of principal of or interest on the Term Loans). Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103- 1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement.

(d) The Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and the principal amount of the Term Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement and the other Loan Documents, notwithstanding notice to the contrary. It is the intent of the parties that the Obligations shall be treated as issued in registered form under Section 5f. 103 -1(c) of the United States Treasury Regulations. Upon the Administrative Agent's receipt of a duly completed Assignment and Assumption Agreement executed by an assigning Lender, an assignee Lender that is an Eligible Assignee and, to the extent required hereunder, the Borrowers, such Eligible Assignee's completed Administrative Questionnaire (unless the assignee is already a Lender), the fee referred to in Section 9.9(b) above, and any written consent to such assignment required by such subsection, the Administrative Agent shall accept such Assignment and Assumption Agreement and record the information contained therein in the Register. No assignment shall be effected for purposes of this Agreement unless it has been recorded in the Register as provided in this subsection.

(e) Notwithstanding anything to the contrary contained in this Section 9.9, a Lender that is a fund that invests in bank loans may pledge all or a portion of its rights in connection with this Agreement to the trustee or other agent for holders of obligations owed, or securities issued, by such fund as security for such obligations or securities, provided that any foreclosure or other exercise of remedies by such trustee shall be subject, in all respects, to the provisions of this Section 9.9 regarding assignments. No pledge described in the immediately preceding sentence shall release any such Lender from its obligations hereunder.

(f) Except as specifically set forth in this Section 9.9, nothing in this Agreement, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any Notes.

(g) The provisions of this Section 9.9 shall not apply to any purchase of participations among the Lenders pursuant to Section 2.5.

(h) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower Agent and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Term Loans in accordance with its respective Commitment. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

**9.10 Execution in Counterparts**. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

**9.11 Several Liability**. The Obligations of the Administrative Agent and each of the Lenders hereunder are several, not joint.

**9.12 Financial Information**. Each Loan Party assumes responsibility for keeping itself informed of its own financial condition and the financial condition of any and all endorsers and/or other guarantors of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and the Loan Parties agree that the Administrative Agent and the Lenders shall have no duty to advise the Loan Parties of information known to them regarding such condition or any such circumstances.

**9.13** **Entire Agreement**. Except as otherwise expressly provided herein, this Agreement and the other documents described or contemplated herein embody the entire agreement and understanding among the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

**9.14** **Other Relationships**. No relationship created hereunder or under any other Loan Document shall in any way affect the ability of the Administrative Agent or its Affiliates and each Lender or their respective Affiliates to enter into or maintain business relationships with the Loan Parties beyond the relationships specifically contemplated by this Agreement and the other Loan Documents.

**9.15** **Consent to Jurisdiction**. EACH LOAN PARTY HEREBY IRREVOCABLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK CITY AND OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER LOAN DOCUMENT AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH LOAN PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING BY UNITED STATES CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OF COPIES OF SUCH PROCESS TO SUCH LOAN PARTY'S ADDRESS REFERENCED IN SECTION 9.3. EACH PARTY AGREES THAT A JUDGMENT, FINAL BY APPEAL OR EXPIRATION OF TIME TO APPEAL WITHOUT AN APPEAL BEING TAKEN, IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST SUCH LOAN PARTY OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

**9.16** **Waiver of Jury Trial**. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

**9.17** **USA Patriot Act**. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Loan Parties in accordance with the Act. The Loan Parties shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

**9.18** **Confidentiality**. Each of the Administrative Agent and each Lender agree to maintain the confidentiality of information obtained by it pursuant to any Loan Document, except that such information may be disclosed (i) with the Borrower Agent's written consent, (ii) in any legal, judicial, administrative proceeding or compulsory process or otherwise as required by applicable law or regulations (in which case such Person agrees to promptly notify the Borrower Agent to the extent practicable and permitted by applicable law); (iii) upon the request or demand of any Governmental Authority having jurisdiction over the Administrative Agent or such Lender, or their respective Affiliates (in which case such Person agrees to, except with respect to any audit or examination conducted by bank accountants, any governmental bank or insurance regulatory authority exercising examination or regulatory authority, or any regulatory requests made by the National Association of Insurance Commissioners, promptly notify the Borrower Agent to the extent lawfully permitted to do so); (iv) to officers, directors, trustees, agents, members, partners, equity holders, approved and managed funds, employees, attorneys, accountants and advisors of the Administrative Agent or any Lender who are informed of the confidential nature of such information and are or have been advised of their obligation to keep such information confidential solely on a need-to-know basis in connection with the transactions contemplated by this Agreement; (v) to any Affiliates of the Administrative Agent or any Lender (provided that any such Affiliate is advised of its obligation to retain such information as confidential) on a need-to-know basis in connection with the transactions contemplated by this Agreement; (vi) to the extent any such information becomes publicly available other than by reason of disclosure in breach of this Agreement; and (vii) in connection with the exercise or enforcement of any right or remedy under any Loan Document.

**9.19** **Replacement of Lenders**. If the Borrower Agent is entitled to replace a Lender pursuant to the provisions of Section 10.6, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower Agent may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.9), all of its interests, rights (other than its existing rights to payments pursuant to Sections 10.1 and 10.4 with respect to payments made prior to such assignment) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower Agent shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.9(b);

(b) such Lender shall have received payment of an amount equal to 100% of the outstanding principal of its Term Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 10.5) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower Agent (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 10.4 or payments required to be made pursuant to Section 10.1, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower Agent to require such assignment and delegation cease to apply.

**9.20 Keepwell**. Each of the Borrowers, any Affiliate of the Borrowers or any Guarantor that is a Qualified ECP Guarantor at the time the Guarantee or the grant of a Lien under the Loan Documents, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Article IX voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 9.20 shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each of the Borrowers, each Affiliate of the Borrowers and each Guarantor intends this Section 9.20 to constitute, and this Section 9.20 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

**9.21 Electronic Execution of Assignments and Certain Other Documents**. The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

**9.22 INTERCREDITOR AGREEMENT**.

(a) EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS THE ADMINISTRATIVE AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY THE ADMINISTRATIVE AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

(b) THE PROVISIONS OF THIS SECTION 9.22 ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT ITSELF TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NEITHER THE ADMINISTRATIVE AGENT NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM THE ADMINISTRATIVE AGENT.

(c) THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE LOAN PARTIES. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

(d) IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**9.23** **Assumption by Holdings and Successor Borrowers**. Immediately following the consummation of the Hydrofarm Acquisition, (i) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent the Assumption Agreement and assume the rights and obligations of the Initial Borrower hereunder as a Borrower, (ii) Holdings shall duly execute and deliver to the Administrative Agent the Assumption Agreement and become a Guarantor hereunder and under each other Loan Document applicable to it, and (iii) the Initial Borrower shall cause each of Hydrofarm, WJCO, EHH and SunBlaster to duly execute and deliver to the Administrative Agent each of the agreements, instruments and certificates listed in Section 3.1(a) to which Hydrofarm, WJCO, EHH or SunBlaster is, or is contemplated to be, a party. Immediately upon the completion of the actions set forth in clauses (i), (ii) and (iii) above, (x) Holdings shall be automatically released from its obligations as a Borrower hereunder and shall instead assume the obligations as a Guarantor hereunder and under the other Loan Documents and (y) each of Hydrofarm, WJCO, EHH and SunBlaster shall become a Borrower hereunder and under the other Loan Documents. Upon the reasonable request by the Administrative Agent, the Loan Parties shall take such additional actions and execute such documents as the Administrative Agent may reasonably request to implement the transactions contemplated by the Assumption Agreement and reflect the assumption by Hydrofarm, WJCO, EHH and SunBlaster of the obligations of the Initial Borrower contemplated thereby.

## ARTICLE X
## TAXES, YIELD PROTECTION AND ILLEGALITY

**10.1** **Taxes**.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of any Borrower or Guarantor under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the applicable withholding agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Borrower or Guarantor, then the Administrative Agent or such Borrower or Guarantor shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Borrower or Guarantor or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code and provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Borrower or Guarantor or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment on account of any obligation of such Borrower or Guarantor under any Loan Document, then (A) such Borrower or Guarantor or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Borrower or Guarantor or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and, if paid by the Administrative Agent, the Administrative Agent shall provide evidence of such payment to the Borrower Agent, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower or Guarantor shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 10.1) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by Borrower and/or Guarantor. Without limiting the provisions of subsection (a) above, each Borrower and/or Guarantor shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications.

(i) Each Borrower and Guarantor shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 10.1) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower Agent by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Each Lender shall, and does hereby, severally indemnify and shall make payment in respect thereof within ten (10) days after demand therefor, (A) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that any Borrower or Guarantor has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of each Borrower and/or Guarantor to do so), and (B) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.9(c) relating to the maintenance of a Participant Register, and (C) the Administrative Agent and the Borrower and/or Guarantor, as applicable, against any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or a Borrower or Guarantor in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent, Borrowers or Guarantor to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document or otherwise payable by the Administrative Agent, Borrower or Guarantor from any other source against any amount due to the Administrative Agent, Borrowers or Guarantor under this clause (ii).

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by any Borrower or Guarantor to a Governmental Authority, as provided in this Section 10.1, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Agent and the Administrative Agent, at the time or times reasonably requested by the Borrower Agent or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower Agent or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Agent or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower Agent or the Administrative Agent as will enable the Borrower Agent or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 10. 1(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that a Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Agent and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W -8BEN- E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate, IRS Form W- 9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate satisfactory to the Administrative Agent on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent or the Administrative Agent), executed copies (or originals, as required) of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower Agent or the Administrative Agent to determine the withholding or deduction required to be made;

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Agent and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Agent or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Agent or the Administrative Agent as may be necessary for the Borrower Agent and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement; and

(E) the Administrative Agent shall deliver to the Borrower Agent on or prior to the date on which the Administrative Agent becomes the Administrative Agent under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Agent), executed copies of IRS Form W-9 certifying that the Administrative Agent is a U.S. Person exempt from U.S. federal backup withholding tax.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 10.1 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Agent and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund (or credit in lieu of a cash refund) of any Taxes ("Refund") as to which it has been indemnified by any Borrower or Guarantor or with respect to which any Borrower or Guarantor has paid additional amounts pursuant to this Section 10.1, it shall pay to such Borrower or Guarantor an amount equal to such Refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower or Guarantor under this Section 10.1 with respect to the Taxes giving rise to such Refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such Refund), provided that each Borrower or Guarantor, upon the request of the Recipient, agrees to repay the amount paid over to such Borrower or Guarantor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such Refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to such Borrower or Guarantor pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such Refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or Guarantor or any other Person.

(g) Survival. Each party's obligations under this Section 10.1 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

**10.2 Illegality**. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to the LIBOR Rate, or to determine or charge interest rates based upon the LIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower Agent through the Administrative Agent, (a) any obligation of such Lender to make or continue LIBOR Rate Loans shall be suspended, and (b) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the LIBOR Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower Agent that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all LIBOR Rate Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Rate Loans and (ii) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBOR Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBOR Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBOR Rate. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

**10.3 Inability to Determine Rates**.

(a) If in connection with any request for a LIBOR Rate Loan or a continuation thereof, (i) the Administrative Agent determines that (A) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such LIBOR Rate Loan or (B) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan or in connection with an existing or proposed Base Rate Loan (in each case with respect to clause (i), "Impacted Loans"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Term Loan, the Administrative Agent will promptly so notify the Borrower Agent and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain LIBOR Rate Loans shall be suspended (to the extent of the affected LIBOR Rate Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR Rate component of the Base Rate, the utilization of the LIBOR Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower Agent may revoke any pending request for a continuation of LIBOR Rate Loans (to the extent of the affected LIBOR Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request to convert such LIBOR Rate Loans to Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this Section 10.3, the Administrative Agent in consultation with the Borrower Agent and the Required Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of this Section 10.3, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrower Agent that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Term Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrower Agent written notice thereof.

**10.4 Increased Costs; Reserves on LIBOR Rate Loans**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 10.4(e));

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes) and (C) Connection Income Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender; and the result of any of the foregoing shall be to increase the cost to such Lender of making, continuing or maintaining any Term Loan the interest on which is determined by reference to the LIBOR Rate (or of maintaining its obligation to make any such Term Loan), or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender, or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Term Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or such Lender's holding company, as the case may be, as specified in subsection (a) or (b) of this Section 10.4 and delivered to the Borrower Agent shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 10.4 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 10.4 for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender notifies the Borrower Agent of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on LIBOR Rate Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each LIBOR Rate Loan equal to the actual costs of such reserves allocated to such Term Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Term Loan, provided the Borrower Agent shall have received at least ten (10) days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

**10.5 Funding Losses**. Upon written demand of any Lender (with a copy to the Administrative Agent) from time to time, which demand shall set forth in reasonable detail the basis for requesting such amount, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost, liability or expense (excluding loss of anticipated profits or margin) actually incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Term Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Term Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by a Borrower (for a reason other than the failure of such Lender to make a Term Loan) to prepay, borrow, continue or convert any Term Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower Agent; or

(c) any assignment of a LIBOR Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower Agent pursuant to Section 9.19; including any loss or expense (excluding loss of anticipated profits or margin) actually incurred by reason of the liquidation or reemployment of funds obtained by it to maintain such Term Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

**10.6 Mitigation Obligations; Replacement of Lenders**.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 10.4, or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1, or if any Lender gives a notice pursuant to Section 10.2, then at the request of the Borrower Agent, such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Term Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 10.1 or 10.4, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 10.2, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 10.4, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 10.1 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 10.6(a) that eliminates the need to pay additional amounts for Indemnified Taxes under Section 10.1 or compensation under Section 10.4, the Borrower Agent may replace such Lender in accordance with Section 9.19.

**10.7 Survival**. All of the Borrowers' obligations under Sections 10.4 and 10.5 shall survive termination of the Commitments, repayment of all other Obligations hereunder and resignation of the Administrative Agent.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

**HOLDINGS AND INITIAL BORROWER:**

**HYDROFARM HOLDINGS LLC**, as
Holdings and Initial Borrower

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

*Each of the undersigned hereby confirms that, immediately after the funding of the Term Loans on the Closing Date and the consummation of the Hydrofarm Acquisition and execution of the Assumption Agreement, it hereby assumes all of the rights and obligations of a Borrower under this Agreement and hereby is joined to this Agreement as a Borrower hereunder.*

**HYDROFARM, LLC**, as a Borrower

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**EHH HOLDINGS, LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**SUNBLASTER LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

**WJCO LLC**

By: _____
Name:
Title:

Address for Notices:

_____
_____
_____

[Signature Page to Credit Agreement]

**ADMINISTRATIVE AGENT:**

**BRIGHTWOOD LOAN SERVICES LLC**, in
its capacity as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**LENDERS:**

**BRIGHTWOOD LOAN SERVICES LLC**, in its capacity as Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address: 810 Seventh Avenue, 26th Floor
New York, NY 10019

**BCOF CAPITAL, LP**, in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

**BRIGHTWOOD CAPITAL FUND III 2016-2, LLC**, in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

**BRIGHTWOOD CAPITAL FUND III-U, LP**,
in its capacity as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

**Exhibit 10.19**

**EXECUTION VERSION**

AMENDMENT NO. 6 TO CREDIT AGREEMENT

This AMENDMENT NO. 6 TO CREDIT AGREEMENT (this "Amendment"), dated as of October 15, 2019, is entered into by and among Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings"), Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), EHH Holdings, LLC ("EHH"), a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ("SunBlaster", and together with Hydrofarm and EHH, collectively, the "Borrowers"), the lenders party to the Credit Agreement referred to below (collectively, the "Lenders" and each individually a "Lender") that are signatories hereto, and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Holdings and the Borrowers have entered into financing arrangements pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers as set forth in the Credit Agreement, dated as of May 12, 2017, by and among Holdings, the Borrowers, the Lenders and the Administrative Agent (as the same has heretofore been, and may hereafter be, amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement");

WHEREAS, Holdings and the Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein;

WHEREAS, pursuant to Section 9.1 of the Credit Agreement, in order to effect the amendments to the Credit Agreement contemplated by this Amendment, this Amendment must be approved by the Required Lenders; and

WHEREAS, the undersigned Lenders constitute the Required Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments. Subject to the terms and conditions hereof, effective as of the Amendment No. 6 Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 3:

(a) The definition of"Financial Covenants" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"Financial Covenants" the covenants, agreements and obligations set forth in Sections 6.1(c) and 6.1(d)

(b) The definition of "Test Period" set forth in Section 1.1 of the Credit Agreement is hereby amended by deleting the phrase "July 1, 2018" set forth therein and inserting the phrase "January 1, 2020" in replacement thereof.

(c) Section 6.1(a) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(a) Intentionally Omitted.

(d) Section 6.l(b) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(b) Intentionally Omitted.

(e) Section 6.1(c) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(c) Cumulative EBITDA. The Borrowers shall not permit the Cumulative EBITDA for any date set forth in the table below for the Test Period ending on such date to be less than the minimum Cumulative EBITDA set forth opposite such date:

| **Month Ending** | **Minimum Cumulative EBITDA** |
|---|---|
| January 31, 2020 | $ (625,000) |
| February 29, 2020 | $ (313,000) |
| March 31' 2020 | $ (217,000) |
| April 30, 2020 | $ 789,000 |
| May 31,2020 | $ 1384,000 |
| June 30, 2020 | $ 2,000,000 |
| July 31, 2020 | $ 2 750,000 |
| August 31, 2020 | $ 3,000,000 |
| September 30,2020 | $ 3 500,000 |
| October 31, 2020 | $ 3,750,000 |
| November 30, 2020 | $ 4 000,000 |
| December 31, 2020 | $ 4,375,000 |
| March 31,2021 | $ 5 000,000 |
| June 30,2021 | $ 5,250,000 |
| September 30, 2021 | $ 5 750,000 |
| December 31, 2021 | $ 6,500,000 |
| March 31' 2022 | $ 7 250,000 |

(f) Section 6.l(d) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(d) Liquidity. At all times, the Loan Parties shall not permit (A) the sum of (i) the Borrowing Base (as defined in the Revolving Loan Agreement) in respect of the assets of the U.S. Obligors (as defined in the Revolving Loan Agreement), Revolving Loan Agreement), plus (iii) the aggregate amount of Book Cash and cash equivalents on hand of the Loan Parties that are located in a deposit account in the United States and which are subject to a perfected lien in favor of the Administrative Agent for the benefit of the Secured Parties to be less than $2,000,000 or (B) "Excess Availability" (as defined in the Revolving Loan Agreement) to be less than (x) $0 at any time prior to the "Availability Block Release Date" (as defined in the Revolving Loan Agreement), or (y) the "Minimum Excess Availability Amount" (as defined in the Revolving Loan Agreement) at any time on or after the "Availability Block Release Date" (as defined in the Revolving Loan Agreement).

SECTION 2. Amendment Fee. Effective as of the Amendment No. 6 Effective Date, the Borrowers shall pay an amendment fee (the "Amendment Fee") for the benefit of each of the Lenders in an amount equal to 0.50% of the outstanding principal amount of the Term Loans held by each such Lender (which, for the avoidance of doubt, shall equal an aggregate Amendment Fee of $415,217). The Amendment Fee shall be paid by the Borrowers to each Lender on the Amendment No. 6 Effective Date as follows:

(a) 50% of the Amendment Fee payable to each Lender shall be paid by the Borrowers to such Lender in cash on the Amendment No. 6 Effective Date; and

(b) 50% of the Amendment Fee payable to each Lender shall be paid by the Borrowers to such Lender by capitalizing 50% of the Amendment Fee payable to such Lender on the Amendment No. 6 Effective Date and adding it to (and thereby increasing) the outstanding principal amount of the Term Loans held by such Lender hereunder. For the avoidance of doubt, for all purposes of the Credit Agreement and each of the other Loan Documents, the outstanding principal amount of the Term Loans owed to each Lender on the Amendment No. 6 Effective Date shall, effective as of the Amendment No. 6 Effective Date, be increased by 50% of the Amendment Fee payable to such Lender under this Section 2 on such date.

SECTION 3. Conditions Precedent. This Amendment shall only become effective upon the date (the "Amendment No. 6 Effective Date") on which each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Administrative Agent:

(a) the Administrative Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by Holdings, the Borrowers and the Required Lenders;

(b) each of the Lenders shall have received payment in cash from the Borrowers in an amount equal to 50% of the Amendment Fee payable to each such Lender, in accordance with Section 2(a) above;

(c) the Administrative Agent shall have received a fully executed copy of an amendment, dated as of the Amendment No. 6 Effective Date (the "Side Letter Amendment"), to that certain letter agreement, dated as of March 15, 2019, among Hydrofarm Holdings Group, Inc., Hydrofarm Investment Corp., Holdings, the Borrowers and the Administrative Agent;

(d) the Administrative Agent shall have received a fully executed copy of an amendment to the Revolving Loan Agreement, dated as of the Amendment No. 6 Effective Date (the "Revolving Loan Amendment"), in form and substance reasonably satisfactory to the Administrative Agent, together with a certificate of a Responsible Officer of the Borrower Agent certifying that each such document is a true, correct, and complete copy thereof;

(e) after giving effect to this Amendment, the Side Letter Amendment, the Revolving Loan Amendment and the transactions contemplated hereby and thereby, all representations and warranties contained in this Amendment, the Credit Agreement and each of the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 6 Effective Date as if made on the Amendment No. 6 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date;

(f) after giving effect to this Amendment, the Side Letter Amendment and the Revolving Loan Amendment and the transactions contemplated hereby and thereby, no Default or Event of Default shall exist or have occurred and be continuing as of the Amendment No. 6 Effective Date; and

(g) the Loan Parties shall have paid all reasonable costs and expenses of the Administrative Agent (including reasonable and documented legal fees and expenses) incurred in connection with the preparation and execution of this Amendment and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Amendment and the Loan Documents, which payment shall be nonrefundable.

SECTION 4. Representations and Warranties. Each of Holdings and each Borrower hereby represents and warrants to the Administrative Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) after giving effect to this Amendment, the Side Letter Amendment and the Revolving Loan Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 6 Effective Date, no Default or Event of Default exists or has occurred and is continuing;

(b) this Amendment, the Side Letter Amendment and the Revolving Loan Amendment and each other agreement to be executed and delivered in connection herewith or therewith (together with this Amendment, the "Amendment Documents"), has been duly authorized, executed and delivered by all necessary action on the part of each Loan Party which is a party hereto or thereto and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the Amendment No. 6 Effective Date and the agreements and obligations of the Loan Parties contained herein and therein constitute (or when executed and delivered, will constitute) legal, valid and binding obligations of Loan Parties enforceable against them in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles;

(c) after giving effect to this Amendment, the Side Letter Amendment and the Revolving Loan Amendment and the transactions contemplated hereby and thereby, as of the Amendment No. 6 Effective Date, all representations and warranties contained in this Amendment, the Amendment Documents, the Credit Agreement and each of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) on and as of the Amendment No. 6 Effective Date as if made on the Amendment No. 6 Effective Date, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty that is already qualified or modified by materiality in the text thereof) as of such date; and

(d) neither the execution, delivery and performance of this Amendment, the Side Letter Amendment, the Revolving Loan Amendment, or any other Amendment Document, nor the consummation of any of the transactions contemplated hereby or thereby, (i) are in contravention of any applicable law or any indenture, agreement or undertaking to which any Loan Party is a party or by which any Loan Party or its property is bound, or (ii) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of such Loan Party.

SECTION 5. Effect of this Amendment; Ratification.

(a) Except as expressly set forth herein or in the Side Letter Amendment, no other amendments, consents, changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied, and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 6 Effective Date and Loan Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. This Amendment shall not operate as a waiver of any obligation of Holdings, any Borrower or any other Loan Party under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Credit Agreement or the other Loan Documents. This Amendment is not a novation or discharge of any of the obligations of Holdings, the Borrowers or the other Loan Parties under the Credit Agreement and the other Loan Documents. This Amendment shall be deemed to be a Loan Document. The Credit Agreement and this Amendment shall be read and construed as one agreement.

(b) For the benefit of the Administrative Agent and the Lenders, each of the Loan Parties hereby (i) affirms and confirms its guarantees, pledges, grants of collateral and security interests and other undertakings under the Credit Agreement and the other Loan Documents to which it is a party, (ii) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Credit Agreement and each of the other Loan Documents Agreements to which it is a party and (iii) agrees that (x) the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and (y) all guarantees, pledges, grants of collateral and security interests and other undertakings the Credit Agreement and each other Loan Document to which it is a party shall continue to be in full force and effect and shall accrue to the benefit of the Administrative Agent and the Lenders.

SECTION 6. Acknowledgements. Each of the Loan Parties, jointly and severally, hereby acknowledges, agrees, confirms, reaffirms and stipulates:

(a) (x) to the validity, legality and enforceability of each of the guarantees of the Obligations set forth in the Loan Documents; (y) that the reaffirmation of each of the guarantees of the Obligations set forth in the Loan Documents is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of each of the guarantees of the Obligations set forth in the Loan Documents and its obligations under each such guarantee shall remain in full force and effect until all the Obligations have been paid in full;

(b) (x) to the validity, legality and enforceability of each of the Secured Liens on the assets and property of each of the Loan Parties pursuant to the Loan Documents; (y) that the reaffinnation of each of the Secured Liens is a material inducement to the Lenders and the Administrative Agent; and (z) that it has no defense to the enforcement of the Secured Liens and the Secured Liens shall remain in full force and effect until all the Obligations have been paid in full;

(c) that each Loan Party hereby waives and releases any and all defenses, affirmative defenses, setoffs, claims, counterclaims, and causes of action of any kind or nature which he has asserted, or might assert, against any Lender, the Administrative Agent or any of their respective subsidiaries or affiliates, or any of the past, present or future officers, directors, contractors, employees, attorneys or agents of any Lender, the Administrative Agent or any such subsidiary or affiliate, which in any way relate to or arise out of the Obligations, the Secured Liens or any of the Loan Documents;

(d) that each Loan Party consents to the execution and delivery of this Amendment and agrees and acknowledges that the liability of each Loan Party under each of the Loan Documents, and the existence, creation, perfection or enforceability of any of the Secured Liens, shall not be diminished in any way by the execution and delivery of this Amendment or by the consummation of any of the transactions contemplated hereby or thereby;

(e) that all notices required under the Loan Documents to be given by the Lenders or the Administrative Agent have been given by the Lenders or the Administrative Agent or validly waived, including, without limitation, all notices of default, and all rights and/or opportunities to cure related thereto have expired or lapsed;

(f) except as expressly set forth herein, neither any Lender nor the Administrative Agent has agreed to (and has no obligation whatsoever to discuss, negotiate or agree to) any restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents;

(g) no understanding with respect to any other restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents shall constitute a legally binding agreement or contract, or have any force or effect whatsoever, unless and until reduced to writing and signed by authorized representatives of each Loan Party, each Lender and the Administrative Agent;

(h) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of any Lender or the Administrative Agent with respect to any future restructuring, modification, amendment, waiver or forbearance with respect to the Obligations or any of the terms of the Loan Documents; and

(i) neither any Lender nor the Administrative Agent is required to make any loan advance to any Loan Party under the Loan Documents or otherwise, and any further loan advances made shall be made in the sole discretion of each such Lender and the Administrative Agent and subject to such conditions and the payment of such fees as each such Lender and the Administrative Agent requires in their sole discretion.

SECTION 7. Indemnity and Release.

(a) Each of the Loan Parties, jointly and severally, on behalf of itself and each of its Subsidiaries and affiliates, hereby waives, releases and discharges each Lender and the Administrative Agent, and all of the directors, officers, employees, attorneys, agents, successors and assigns of each Lender and the Administrative Agent, from any and all claims, demands, actions, causes of action, damages, costs, expenses and liabilities, known or unknown, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, fixed, contingent or conditional, at law or in equity, arising out of or in any way relating to the Loan Documents or any documents, agreements, dealings or other matters connected with the Loan Documents, in each case to the extent arising (x) on or prior to the date hereof or (y) out of, or relating to, any actions, dealings or matters occurring on or prior to the date hereof. The waivers, releases, and discharges in this Section 7 shall be effective on the Amendment No. 6 Effective Date regardless of whether any post Amendment No. 6 Effective Date conditions to this Amendment are satisfied and regardless of any other event that may occur or not occur after the date hereof.

(b) Each of the Loan Parties, jointly and severally, agrees to defend, protect, indemnify and hold harmless each Lender and the Administrative Agent and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the "Indemnitees") from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable fees, costs and expenses of outside counsel) incurred by such Indemnitees, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the execution or performance or enforcement of this Amendment, any other Loan Document or any other document executed in connection with the transactions contemplated by this Amendment; or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto. This indemnity shall survive the repayment of the Obligations and the discharge of the liens granted under the Loan Documents.

SECTION 8. Expenses. The Loan Parties, joint and severally agree to pay, or reimburse, the Administrative Agent for all expenses reasonably incurred for the preparation and negotiation of this Amendment and related agreements and instruments and the transactions contemplated hereby, including, but not limited to, the fees and expenses of counsel to the Administrative Agent.

SECTION 9. Governing Law. This Amendment, and all matters relating hereto or thereto or arising herefrom or therefrom (whether arising under contract law, tort law or otherwise) shall, each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of New York.

SECTION 10. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

SECTION 11. Captions. The captions in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

SECTION 12. No Course of Dealing. Holdings, each Borrower and each other Loan Party acknowledges that (a) except as expressly set forth herein, neither the Administrative Agent nor any Lender has agreed (and has no obligation whatsoever to discuss, negotiate or agree) to any restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof, and (b) the execution and delivery of this Amendment has not established any course of dealing between the parties hereto or created any obligation or agreement of the Administrative Agent or any Lender with respect to any future restructuring, modification, amendment, extension, waiver, or forbearance with respect to the Credit Agreement or any other Loan Document or any of the terms thereof.

SECTION 13. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

**[*Signature Pages Follow*]**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the day and year first above written.

**HOLDINGS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**BORROWERS:**

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**ADMINISTRATIVE AGENT:**

BRIGHTWOOD LOAN SERVICES LLC, as Administrative Agent

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BCOF CAPITAL, LP, as Lender

By: BCOF Capital Managers, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BRIGTHWOOD CAPITAL FUND III HOLDINGS SPV-3, LLC, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its Manager

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BRIGTHWOOD CAPITAL FUND III-U, LP, as Lender

By: Brightwood Capital Fund Managers III, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

BRIGHTWOOD CAPITAL OFFSHORE FUND IV-U, LP, as Lender

By: Brightwood Capital Fund Managers IV, LLC, as its General Partner

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Daniele
Name: Philip Daniele
Title: Chief Risk Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

HMS INCOME FUND, INC., as Lender

By: /s/ Alejandro Palomo
Name: Alejandro Palomo
Title: Chief Investment Officer

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

MAIN STREET CAPITAL CORPORATION, as Lender

By: /s/ Watt Matthews
Name: Watt Matthews
Title: Managing Director

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**LENDER:**

TCG BDC, INC., as Lender

By: /s/ Mark Tamburello
Name: Mark Tamburello
Title: Principal

*[Signature Page to Amendment No. 6 to Credit Agreement]*

**Exhibit 10.20**

# LOAN AND SECURITY AGREEMENT

**Dated as of JULY 11, 2019**

**by and among**

**HYDROFARM, LLC**
**SUNBLASTER LLC**
**SUNBLASTER HOLDINGS ULC**
**HYDROFARM CANADA, LLC**
**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**

**as Borrowers,**

**EHH HOLDINGS, LLC**
**HYDROFARM HOLDINGS LLC,**
**as Loan Party Obligors,**

**the Lenders from time to time party hereto,**

**and**

**ENCINA BUSINESS CREDIT, LLC,**
**as Agent**

**TABLE OF CONTENTS**

**Loan and Security Agreement**

This Loan and Security Agreement (as it may be amended, restated or otherwise modified from time to time, this ***"Agreement"***) is entered into on July 11, 2019**,** by and among HYDROFARM, LLC, a California limited liability company, SUNBLASTER LLC, a Delaware limited liability company, SUNBLASTER HOLDINGS ULC, a British Columbia unlimited liability company, and EDDI'S WHOLESALE GARDEN SUPPLIES LTD., a British Columbia company and HYDROFARM CANADA, LLC, a Delaware limited liability company (each a "***Borrower***" and collectively the "***Borrowers***"), and HYDROFARM HOLDINGS LLC, a Delaware limited liability company ("***Holdings***"), and EHH HOLDINGS, LLC a Delaware limited liability company ("***EHH***"), as **Loan Party Obligors** (as defined herein), the Lenders party hereto from time to time and ENCINA BUSINESS CREDIT, LLC, a Delaware limited liability company, as agent for the Lenders (in such capacity, ***"Agent"***). The Schedules and Exhibits to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

**1. DEFINITIONS.**

**1.1. Certain Defined Terms.**

Unless otherwise defined herein, the following terms are used herein as defined in the UCC or, in the case of the Canadian Obligors, the PPSA, as applicable: Accounts, Account Debtor, As- Extracted Collateral, Certificated Security, Chattel Paper, Commercial Tort Claims, Consumer Goods, Debtor, Deposit Accounts, Documents, Documents of Title, Electronic Chattel Paper, Equipment, Farm Products, Financing Statement, Fixtures, General Intangibles, Goods, Health- Care-Insurance Receivables, Instruments, Intangible, Inventory, Letter-of-Credit Rights, Money, Payment Intangible, Proceeds, Secured Party, Securities Accounts, Security Agreement, Supporting Obligations and Tangible Chattel Paper.

As used in this Agreement, the following terms have the following meanings:

**"*ABL Priority Collateral*"** means (a) as defined in the Intercreditor Agreement (it being understood and agreed that any time the Term Loan Facility is not in effect, the term "ABL Priority Collateral" shall mean all Collateral) and (b) the Collateral of any Canadian Obligors on which a Lien is granted to Agent hereunder or under any loan document.

***"ABLSoft"*** means the electronic and/or internet-based system approved by Agent for the purpose of making notices, requests, deliveries, communications and for the other purposes contemplated in this Agreement or otherwise approved by Agent, whether such system is owned, operated or hosted by Agent, any of its Affiliates or any other Person.

***"Accounts Advance Rate"*** means the percentage set forth in Section 1(b)(i) of Annex I.

***"Advance Rates"*** means, collectively, the Accounts Advance Rate and the Inventory Advance Rate.

***"Affiliate"*** means, with respect to any Person, any other Person in control of, controlled by, or under common control with the first Person, and any other Person who has a substantial interest, direct or indirect, in the first Person or any of its Affiliates, including, any officer or director of the first Person or any of its Affiliates (and if that Person is an individual, any member of the immediate family (including parents, siblings, spouse, children, stepchildren, nephews, nieces and grandchildren) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust); ***provided***, that neither Agent, any Lender nor any of their respective Affiliates shall be deemed an ***"Affiliate"*** of Borrower for any purposes of this Agreement. For the purpose of this definition, a ***"substantial interest"*** shall mean the direct or indirect legal or beneficial ownership of more than ten (10%) percent of any class of equity or similar interest.

""***Agent***" means Encina in its capacity as agent for the Lenders hereunder, and any successor agent.

"***Agent-Related Persons***" means Agent, together with its Affiliates, officers, directors, employees, members, managers, attorneys, and agents.

"***Agent Professionals***" means attorneys, accountants, appraisers, auditors, business valuation experts, liquidation agents, collection agencies, auctioneers, environmental engineers or consultants, turnaround consultants, and other professionals and experts retained by Agent.

***"Agreement"*** and ***"this Agreement"*** has the meaning set forth in the preamble to this Agreement.

***"Applicable Margin"*** has the meaning set forth in Annex IV.

***"Approved Electronic Communication"*** means each notice, demand, communication, information, document and other material transmitted, posted or otherwise made or communicated by e-mail, facsimile, ABLSoft or any other equivalent electronic service, whether owned, operated or hosted by Agent, any of its Affiliates or any other Person, that any party is obligated to, or otherwise chooses to, provide to Agent pursuant to this Agreement or any other Loan Document, including any financial statement, financial and other report, notice, request, certificate and other information or material; ***provided***, that Approved Electronic Communications shall not include any notice, demand, communication, information, document or other material that Agent specifically instructs a Person to deliver in physical form.

***"Approved Fund"*** means any Bona Fide Debt Fund and any other Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of business, in each case that is administered, managed, advised or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignment of Claims Act***", means the Assignment of Claims Act of 1940, as amended, currently codified at 31 U.S.C. 3727 and 41 U.S.C. 6305, and includes the prior historically referenced Federal Anti-Claims Act (31 U.S.C. 3727) and the Federal Anti-Assignment Act (41 U.S.C. 6305).

***"Assignee"*** has the meaning set forth in Section 15.9(a).

***"Assignment and Assumption"*** means an assignment and assumption agreement substantially in the form of Exhibit G.

***"Asset Disposition"*** means a sale, lease, license, consignment, transfer, return, liquidation, or other disposition of Property of an Obligor, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

"***Asset Acquisition***" means the acquisition by GSD of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business for a purchase price of $8,873,926 pursuant to and in accordance with the Asset Purchase Agreement.

"***Asset Acquisition Earnout Amount***" means the amount of the Earnout Obligations which are paid by a Loan Party or any Subsidiary of a Loan Party; provided that commencing on the first day of the month following the first full month after the payment of such Earnout Obligations and on the first day of each month thereafter, such amount shall be reduced by
1/12th of the amount paid until reduced to $0.

"***Asset Acquisition Earnout Obligations***" means any obligation of any Subsidiary of Holdings to pay a deferred purchase price with respect to the Asset Acquisition pursuant to Section 2.6 of the Asset Purchase Agreement (as in effect on the Amendment No. 2 Effective Date).

*"**Asset Purchase Agreement**"* means the asset purchase agreement dated October 20, 2017 among Greenstar Plant Products Inc., as vendor, GSD, as purchaser, and Hydrofarm, as guarantor.

*"**Availability Block**"* means the amount set forth in Section 1(f) of Annex I hereto, and after the Availability Block Release Date, zero dollars ($0).

**"*Availability Block Release Date*"** means the date, if it ever occurs, following the delivery of the audited financial statements for Fiscal Year 2019 by Borrower Representative to Agent in compliance with Section 7.15(a) hereof (the "***2019 Audited Financials***"), that either (a) the 2019 Audited Financials or (b) any interim financial statements subsequently delivered by Borrower Representative to Agent in compliance with Section 7.15(b) hereof, show that the Fixed Charge Coverage Ratio is in excess of 1.05:1.00 for the applicable FCCR Measurement Period.

*"**Bankruptcy Code**"* means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.).

*"**Base Rate**"* means, for any day, the greatest of (a) the Federal Funds Rate plus ½%, (b) the LIBOR Rate (which rate shall be calculated based upon a one (1) month period and shall be determined on a daily basis), (c) one percent (1.0%), and (d) the rate of interest announced, from time to time, within Wells Fargo Bank, N.A. at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo Bank, N.A.'s base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo Bank, N.A. may designate (or, if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Agent may select).

*"**Base Rate Loan**"* means any Loan which bears interest at or by reference to the Base Rate.

*"**Blocked Account**"* has the meaning set forth in Section 6.1.

**"*Bona Fide Debt Fund*"** means any debt fund affiliate of the entities mentioned in the definition of "Disqualified Institution" that is primarily engaged in, or advises funds or other investment vehicles that are primarily engaged in, making, purchasing, holding or otherwise investing in commercial loans, notes, bonds and similar extensions of credit or securities in the ordinary course of its business and whose managers are not in control of with the equity investment decisions of such entities.

***"Borrower"*** and ***"Borrowers"*** has the meaning set forth in the preamble to this Agreement.

***"Borrower Representative"*** means Hydrofarm, in such capacity pursuant to the provisions of Section 2.9, or any permitted successor Borrower Representative selected by Borrowers and approved by Lender.

***"Borrowing Base"*** means, as of any date of determination, the Dollar Equivalent Amount as of such date of determination of (a) the aggregate amount of Eligible Accounts multiplied by the Accounts Advance Rate, plus (b) the lower of (i) cost or market value of Eligible Inventory multiplied by the applicable Inventory Advanced Rate(s) and (ii) NOLV of Eligible Inventory multiplied by the applicable Inventory Advance Rate(s), but in no event to exceed the Inventory Sublimit(s) and minus (c) all Reserves which Agent has established pursuant to Section
2.1(b) (including those to be established in connection with any requested Revolving Loan); minus
(d) the Availability Block.

**"*Borrowing Base Certificate*"** a report of the Borrowing Base, in a form and substance satisfactory to Agent in its Permitted Discretion.

***"Business Day"*** means a day other than a Saturday or Sunday or any other day on which Agent or banks in New York are authorized to close and: (a) in the case of a Business Day which relates to a LIBOR Loan, any day on which dealings are carried on in the London Interbank Eurodollar market, and (b) in the case of delivery of a Loan to a Funding Account located in a jurisdiction other than the United States, the term "Business Day" shall also exclude any day on which commercial banks in such jurisdiction are authorized or required by law to remain closed.

***"Canadian Account"*** means any account invoiced and payable in Canadian Dollars

***"Canadian Benefit Plans"*** means all material employee benefit plans or arrangements subject to the application of any Canadian benefit plan statutes or regulations that are maintained or contributed to by the Loan Parties that are not Canadian Pension Plans, including all profit sharing, savings, supplemental retirement, retiring allowance, severance, pension, deferred compensation, welfare, bonus, incentive compensation, phantom stock, legal services, supplementary unemployment benefit plans or arrangements and all life, health, dental and disability plans and arrangements in which the employees or former employees of the Loan Parties participate or are eligible to participate but excluding all stock option or stock purchase plans.

"***Canadian Borrowers***" means Sunblaster Holdings ULC, a British Columbia unlimited liability company, and Eddi's Wholesale Garden Supplies Ltd., a British Columbia company.

***"Canadian Defined Benefit Pension Plan"*** means a Canadian Pension Plan which contains a "defined benefit provision" as defined in subsection 147.1(1) of the Income Tax Act (Canada), as amended.

***"Canadian Dollars"*** *or* ***"C$"*** means Canadian Dollars.

***"Canadian Loan Limit"*** means $15,000,000.

***"Canadian Multi-Employer Plan"*** means a "multi-employer pension plan", as such term is defined in the Pension Benefits Standards Act (British Columbia), as amended, or any similar plan registered under pension standards legislation of another jurisdiction in Canada to which the Borrowers, including a Canadian Borrower, contributes for its employees or former employees employed in Canada.

***"Canadian Obligor(s)"*** means any Borrower or Loan Party Obligor organized under the laws of Canada or any province thereof.

***"Canadian Pension Plan"*** means all plans or arrangements which are considered to be pension plans under, and are subject to the application of, any applicable pension benefits standards statute or regulation in Canada established, maintained or contributed to by the Loan Parties for its employees or former employees.

***"Canadian Security Agreement"*** means that certain General Security Agreement, dated as of the Closing Date, between Agent and the Canadian Borrowers.

***"Capital Expenditures"*** means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of Borrowers, but excluding expenditures made in connection with the acquisition, replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored, (b) with cash awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced, (c) the net cash proceeds received by Borrowers in cash or cash equivalents from a Permitted Asset Disposition, and (d) the cumulative amount of net cash proceeds from the issuance of equity interests by Ultimate Parent.

***"Capitalized Lease"*** means any lease which is or should be capitalized on the balance sheet of the lessee thereunder in accordance with GAAP.

***"Closing Date"*** means July 11, 2019.

***"Code"*** means the Internal Revenue Code of 1986, as amended.

***"Collateral"*** means all property and interests in property in or upon which a security interest, mortgage, pledge or other Lien is granted pursuant to this Agreement or the other Loan Documents, including all of the property of each Loan Party Obligor described in Section 5.1.

***"Collections"*** has the meaning set forth in Section 6.1.

***"Commitment"*** and ***"Commitments"*** means, individually or collectively as required by the context, the Revolving Loan Commitment.

"***Commitment Schedule***" means the Commitment Schedule attached hereto as Annex III.

***"Compliance Certificate"*** means a compliance certificate substantially in the form of Exhibit F hereto to be signed by the Chief Financial Officer or President of Borrower Representative.

***"Confidential Information"*** means confidential information that any Loan Party furnishes to the Agent pursuant to any Loan Document concerning any Loan Party's business, but does not include any such information once such information has become, or if such information is, generally available to the public or available to the Agent (or other applicable Person) from a source other than the Loan Parties which is not, to the Agent's knowledge, bound by any confidentiality agreement in respect thereof.

"***Consolidated Amortization Expense***" means the amount of amortization expense deducted in determining Net Income.

"***Consolidated Depreciation Expense***" means the amount of depreciation expense deducted in determining Net Income.

"***Consolidated Tax Expenses***" means federal, state, provincial and local income tax expenses of Holdings, the Borrowers and their Subsidiaries.

"***Control Agent***" means, at the time of determination, whichever of the Term Loan Agent or Agent has the right under the Term Loan Intercreditor Agreement to take remedial action with respect to the Collateral at issue.

"***Control Group***" means (i) Hawthorn Equity Partners and its Controlled Investment Affiliates, (ii) Broadband Capital Investments and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (vi) Peter Wardenburg and his Controlled Investment Affiliates and (vii) any shareholders of any of the individuals or entities in (i) through (vi) that have designated their voting rights to such individual or entity.

"***Controlled Investment Affiliate***" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

***"Default"*** means any event or circumstance which with notice or passage of time, or both, would constitute an Event of Default.

***"Default Rate"*** has the meaning set forth in Section 3.1.

***"Defaulting Lender"*** means any Lender that (a) has failed, within one Business Day of the date required to be funded or paid, to (i) fund any portion of its Loans or (ii) pay over to Agent or any other Lender any other amount required to be paid by it hereunder, (b) has notified Borrower Representative or Agent in writing, or it or its parent has made a public statement, to the effect that it does not intend or expect to comply with any of its funding obligations under this Agreement or generally under other agreements in which it or its parent commits to extend credit, (c) has failed, within two Business Days after request by Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon Agent's receipt of such certification in form and substance satisfactory to Agent, (d) had an involuntary proceeding commenced or an involuntary petition filed seeking (i) liquidation, reorganization or other relief in respect of such Lender or its parent or its or its parent's debts, or of a substantial part of its or its parent's assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Lender or its parent or for a substantial part of its or its parent's assets, or (e) shall have or whose parent shall have (i) voluntarily commenced any proceeding or filed any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar Law now or hereafter in effect (ii) consented to the institution of, or failed to contest in a timely and appropriate manner, any proceeding or petition described in clause (d) of this definition, (iii) applied for or consented to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for it or a substantial part of its assets, (iv) filed an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) made a general assignment for the benefit of creditors or (vi) taken any action for the purpose of effecting any of the foregoing.

***"Dilution"*** means, as of any date of determination, a percentage, based upon the experience of the immediately prior twelve (12) months, that is the result of dividing the Dollar Equivalent Amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to a Borrower's Accounts during such period by (b)such Borrower's billings with respect to Accounts during such period.

***"Dilution Reserve"*** has the meaning set forth in Section 1(b)(i) of Annex I.

***"Disqualified Institution"*** means (i) certain financial institutions and other entities set forth on Annex V hereto; (ii) other financial institutions and other entities identified in writing by Borrower to Lender from time to time (and Affiliates of such identified entities (other than Bona Fide Debt Funds) that are reasonably identifiable as Affiliates solely on the basis of their name (provided Lender shall have no obligations to carry out due diligence in order to identify such Affiliates)) acceptable to Lender in its sole discretion; and (iii) bona fide competitors of the Borrower and its Subsidiaries identified in writing from time to time (and Affiliates thereof) (other than Bona Fide Debt Funds) that are reasonably identifiable as Affiliates solely on the basis of their name (provided that Lender shall have no obligation to carry out due diligence in order to identify such Affiliates)).

"***Distribution Payment Conditions***" means, as to the making of any payment or distribution of any dividends or other distributions on any Loan Party Obligor's stock or other equity interest (other than Permitted Tax Distributions), the satisfaction as of the making of each such payment or distribution and after giving pro forma effect thereto, of each of the following conditions: (a) No Default or Event of Default exists or has occurred and is continuing, (b) the Fixed Charge Coverage Ratio for the applicable FCCR Measurement Period is greater than
1.25:1.0, and (c) Excess Availability is greater than $3,000,000.

"***Division***" in reference to any Person which is an entity, means the division of such Person into two (2) or more separate ~~such~~ Persons, with the dividing Person either continuing or terminating its existence as part of such division, including as contemplated under Section 18-217 of the Delaware Limited Liability Act for limited liability companies formed under Delaware law, or any analogous action taken pursuant to any other applicable law with respect to any corporation, limited liability company, partnership or other entity. The word "***Divide***" when capitalized, shall have a correlative meaning.

***"Dollar Equivalent Amount"*** means, at any time, (a) as to any amount denominated in Dollars, the amount hereof at such time, and (b) as to any amount denominated in a currency other than Dollars, the equivalent amount in Dollars as determined by Agent at such time that such amount could be converted into Dollars by Agent according to prevailing exchange rates selected by Agent.

***"Dollars"*** or ***"$"*** means United States Dollars.

***"E-Signature"*** means the process of attaching to or logically associating with an Approved Electronic Communication an electronic symbol, encryption, digital signature or process (including the name or an abbreviation of the name of the party transmitting the Approved Electronic Communication) with the intent to sign, authenticate or accept such Approved Electronic Communication.

***"Early Payment/Termination Premium"*** has the meaning set forth in Section 3.2(e).

***"EBITDA"*** means, for any period for which the amount thereof is to be determined, an amount equal to Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Net Income: (i) Consolidated Interest Expense during such period means, for the applicable period, for the Loan Party Obligors on a consolidated basis, (ii) Consolidated Amortization Expense during such period (iii) Consolidated Depreciation Expense during such period (iv) Consolidated Tax Expenses paid or accrued during such period and the amount of any Tax Distributions made in cash during such period (v) any non-cash losses arising from the sale of capital assets during such period (vi) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory), (vii) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption, (viii) non-recurring fees and expenses approved by Agent in its Permitted Discretion (ix) the amount of business restructuring charges and fees, costs and expenses incurred between October 1, 2019 and December 31, 2019 approved by Agent in its Permitted Discretion, minus (b) to the extent added in calculating such Net Income, the aggregate amount of: (i) any non-cash gains during such period arising from the sale of capital assets, (ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and (iii) any non-cash extraordinary gains during such period.

***"Eligible Account"*** means, at any time of determination and subject to the criteria below, an Account of a Borrower, which was generated and billed by a Borrower in the Ordinary Course of Business, and which Agent, in its Permitted Discretion, deems to be an Eligible Account. The net amount of an Eligible Account at any time shall be the face amount of such Eligible Account as originally billed minus all customer deposits, unapplied cash collections and other Proceeds of such Account received from or on behalf of the Account Debtor thereunder as of such date and any and all returns, rebates, discounts (which may, at Agent's option, be calculated on shortest terms), credits, allowances or excise taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time. Without limiting the generality of the foregoing, the following Accounts shall not be Eligible Accounts:

(i) the Account Debtor or any of its Affiliates is an Affiliate of any Loan Party;

(ii) it remains unpaid longer than the earlier to occur of (A) the number of days after the original ***invoice date*** set forth in Section 4(a) of Annex I or (B) the number of days after the original ***invoice due date*** set forth in Section 4(b) of Annex I;

(iii) the Account Debtor or its Affiliates are past any of the applicable dates referenced in clause (ii) above on other Accounts owing to a Borrower comprising more than twenty-five (25%) percent of all of the Accounts owing to a Borrower by such Account Debtor or its Affiliates;

(iv) all Accounts owing by the Account Debtor or its Affiliates represent more than ten percent (10%) of all otherwise Eligible Accounts; ***provided***, that such percentage for Amazon.com, Inc. shall be twenty-five percent (25%) of all otherwise Eligible US Accounts, and such percentage for Nurseryland shall be twenty percent (20%) of all otherwise Eligible Canadian Accounts, in each case unless otherwise determined by Agent in its Permitted Discretion; provided, further, that Accounts which are deemed to be ineligible solely by reason of this clause (iv) shall be considered Eligible Accounts to the extent of the amount thereof which does not exceed the applicable percentages of all otherwise Eligible Accounts;

(v) a covenant, representation or warranty contained in this Agreement or any other Loan Document with respect to such Account (including any of the representations set forth in Section 7.4) has been breached;

(vi) the Account is subject to any contra relationship, counterclaim, dispute or set-off; *provided*, that Accounts which are deemed to be ineligible by reason of this clause (vi) shall be considered ineligible only to the extent of such applicable contra relationship, counterclaim, dispute or set-off;

(vii) the Account Debtor's chief executive office or principal place of business is located outside of the United States or Canada;

(viii) it is payable in a currency other than Dollars or Canadian Dollars; (ix) it (a) is not absolutely owing to a Borrower or (b) arises from a sale on a bill-and-hold, guarantied sale, sale-or-return, sale-on-approval, consignment, retainage or any other repurchase or return basis or (c) consist of progress billings or other advance billings that are due prior to the completion of performance by a Borrower of the subject contract for goods or services;

(x) the Account Debtor is (A) the United States of America or any state or political subdivision (or any department, agency or instrumentality thereof), unless such Borrower has complied with the Assignment of Claims Act or other applicable similar state or local law in a manner reasonably satisfactory to Agent, (B) Her Majesty the Queen in Right of Canada or any department, agency or instrumentality thereof, unless such Borrower grants to the Agent by way of absolute assignment and as security, its right to payment of such Account pursuant to and in full compliance with, and all other steps deemed necessary by the Agent have been taken under, the Financial Administration Act (Canada), as amended, or (C) a Crown corporation, any other government or other governmental body if such Account cannot be the object of a valid first ranking Lien in favor of the Agent without special formalities or requirements, unless such formalities or requirements have been performed to the full satisfaction of the Agent;

(xi) it is not at all times subject to Agent's duly perfected, first-priority security interest or is subject to any other Lien that is not a Permitted Lien, or the goods giving rise to such Account were, at the time of sale, subject to any Lien that is not a Permitted Liens;

(xii) it is evidenced by Chattel Paper or an Instrument of any kind (unless such Chattel Paper or Instrument is delivered to Agent in accordance with Section 5.2) or has been reduced to judgment;

(xiii) the Account Debtor's total indebtedness to Borrowers exceeds the amount of any credit limit established by Borrowers or Agent or the Account Debtor is otherwise deemed not to be creditworthy by Agent in its Permitted Discretion; ***provided***, that Accounts which are deemed to be ineligible solely by reason of this clause (xiii) shall be considered Eligible Accounts to the extent the amount of such Accounts does not exceed the lower of such credit limits;

(xiv) there are facts or circumstances existing, or which could reasonably be anticipated to occur, which might result in an adverse change in the Account Debtor's financial condition or impair or delay the collectability of all or any portion of such Account as determined by Agent in its Permitted Discretion;

(xv) Agent has not been furnished with all documents and other information pertaining to such Account which Agent has requested, or which any Borrower is obligated to deliver to Agent, pursuant to this Agreement;

(xvi) Any Borrower has made an agreement with the Account Debtor to extend the time of payment thereof beyond the time periods set forth in clause (ii) above;

(xvii) Any Borrower has posted a surety or other bond in respect of the contract or transaction under which such Account arose;

(xviii) the Account Debtor is subject to any proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law;

(xix) the sale giving rise to such Account is on cash in advance or cash on delivery terms;

(xx) the goods giving rise to such Account have been sold by a Borrower to the Account Debtor outside such Borrower's Ordinary Course of Business or the services giving rise to such Account have been performed by Borrower outside such Borrower's Ordinary Course of Business;

(xxi) Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor;

(xxii) the Account Debtor on such Accounts is located in any jurisdiction which adopts a statute or other requirement that any Person that obtains business from within such jurisdiction or is otherwise subject to such jurisdiction's tax law must file a "Business Activity Report" (or other applicable report) or make any required filings in a timely manner in order to enforce its claims in such jurisdiction's courts or arising under such jurisdiction's laws; provided, however, that such Accounts shall nonetheless be Eligible Accounts if such Borrower has filed a "Business Activity Report" (or other applicable report or required filing); or

(xxiii) Accounts arising from a sale for personal, family or household purposes or defined as Consumer Goods.

***"Eligible Inventory"*** means, at any time of determination and subject to the criteria below, Inventory owned by Borrower consisting of finished goods, merchantable and readily saleable in the Borrower's Ordinary Course of Business which Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the generality of the foregoing, the following Inventory will not be Eligible Inventory:

(xxiv) it consists of work-in-progress;

(xxv) it is not in good, new and saleable condition;

(xxvi) it is slow-moving, obsolete, damaged, contaminated, unmerchantable, returned, rejected, discontinued or repossessed;

(xxvii) it is in the possession of a processor, consignee or bailee, or located on premises leased or subleased to a Borrower, or on premises subject to a mortgage in favor of a Person other than Agent, unless such processor, consignee, bailee or mortgagee or the lessor or sublessor of such premises, as the case may be, has executed and delivered all documentation which Agent shall require to evidence the subordination or other limitation or extinguishment of such Person's rights with respect to such Inventory and Agent's right to gain access thereto; ***provided***, that, at the election of Agent in its sole discretion, this clause (iv) may be waived by Agent in its sole discretion;

(xxviii) it consists of fabricated parts, consigned items, supplies or packaging;

(xxix) it fails to meet all standards imposed by any Governmental Authority;

(xxx) it does not conform in all respects to any covenants, warranties and representations set forth in this Agreement and each other Loan Document;

(xxxi) it is not at all times subject to Agent's duly perfected, first priority security interest and no other Lien except a Permitted Lien;

(xxxii) it is purchased or manufactured pursuant to a license agreement that is not assignable to each of Agent and its transferees;

(xxxiii) it is situated at a Collateral location not listed in Section 1(c) of the Perfection Certificate or other location of which Agent has been notified as required by Section 7.8 (or it is in-transit other than in transit between a Borrower's facilities or is at a location described in Section 6.7(b)(iv) and (v));

(xxxiv) it is located at any third-party site if the aggregate book value of all Inventory located at such site is less than $100,000 or if it is at a location described in Section 6.7(b)(iv) and (v);

(xxxv) it is located outside of the continental United States or Canada; and

(xxxvi) it is aged over (a) 24 months for inventory of Hydrofarm, LLC (b) 12 months for inventory of Hydrofarm Canada, LLC or (b) 12 months for inventory of Sunblaster Holdings ULC.

***"Encina"*** means Encina Business Credit, LLC, a Delaware limited liability company.

"***Enforcement Action***" means any action to enforce any Obligations or Loan Documents or to exercise any rights or remedies relating to any Collateral, whether by judicial action, selfhelp, notification of Account Debtors, setoff or recoupment, credit bid, deed in lieu of foreclosure, action in any proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law or otherwise.

***"ERISA"*** means the Employee Retirement Income Security Act of 1974 and all rules, regulations and orders promulgated thereunder.

***"ERISA Affiliate"*** means any trade or business (whether or not incorporated) under common control with a Loan Party within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code and Section 302 of ERISA).

***"ERISA Event"*** means: (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of any Loan Party or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a ***"substantial employer"*** as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by a Loan Party or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon a Loan Party or any ERISA Affiliate.

***"Event of Default"*** has the meaning set forth in Section 11.1.

***"Excess Availability"*** means the amount, as determined by Agent, calculated at any date, equal to the(a) the lesser of (i) the Maximum Revolving Facility Amount minus (A) Reserves, minus (B) the Availability Block and (ii) the Borrowing Base, minus (b) the sum of (i) the outstanding balance of all Revolving Loans plus (ii) fees and expenses which are due and payable by any Borrower under this Agreement but which have not been paid or charged to the Loan Account; ***provided***, that if any of the Loan Limits for Revolving Loans is exceeded as of the date of calculation, then Excess Availability shall be zero.

"***Excluded Property***" means (i) any Restricted Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by an Obligor of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest; (iii) any equity interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of an Obligor, (y) that the granting of a Lien thereon is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Obligors in the aggregate, more than 65% of the total combined voting power of all classes of capital stock or similar equity interests of such Foreign Subsidiary which are entitled to vote; (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code, the PPSA or any other Applicable Law or principles of equity; (v) upon the written consent of Agent, any equity interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of an Obligor, if the terms of the Governing Documents of such pledged entity do not permit the grant of a security interest in such equity interests by the owner thereof or the applicable Obligor has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Governing Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by Agent in its Permitted Discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents) provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the UCC (including Sections 9-406, 9- 407 and 9-408 thereof), the PPSA or other Applicable Law (including the Bankruptcy Code) or principles of equity, (b) so as to limit, impair or otherwise affect Agent's unconditional continuing Liens upon any rights or interests of any Obligor in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any Accounts), or (c) to apply at such time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

***"Excluded Taxes"*** means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of Agent or any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof); (b) in the case of a Non-U.S. Recipient (as defined in Section 13(e)), U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Non-U.S. Recipient with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which Non-U.S. Recipient becomes a party to this Agreement or acquires a participation, except in each case to the extent that, pursuant to Section 13 amounts with respect to such Taxes were payable to such Non-U.S. Recipient assignor (or Lender granting such participation) immediately before such assignment or grant of participation; (c) United States federal withholding Taxes that would not have been imposed but for such Recipient's failure to comply with Section 13(e) (except where the failure to comply with Section 13(e) was the result of a change in law, ruling, regulation, treaty, directive, or interpretation thereof by a Governmental Authority after the date the Recipient became a party to this Agreement or a Participant) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"***Existing ABL Agreement***" means that certain Amended and Restated Loan Agreement dated as of November 8, 2017 by and among the Bank of America, NA (the "***Prior ABL Lender***") and the Loan Party Obligors, as amended by that certain Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement dated as of May 18, 2018 (the "***ABL Forbearance Agreement***"), that certain First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement dated as of July 16, 2018 (the "ABL Second Amendment"), that certain Waiver and Third Amendment to Amended and Restated Loan and Security Agreement dated as of August 24, 2018 (the "***ABL Third Amendment***") and that certain Fourth Amendment to Amended and Restated Loan Agreement dated as of March 15, 2019 (the "***ABL Fourth Amendment***").

***"FATCA"*** means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

***"FCCR Measurement Period"*** means the applicable time period set forth below for such date:

| Date | Period |
|---|---|
| December 31, 2019 | Three-month period ended on that date |
| January 31, 2020 | Four-month period ended on that date |
| February 29, 2020 | Five-month period ended on that date |
| March 31, 2020 | Six-month period ended on that date |
| April 30, 2020 | Seven-month period ended on that date |
| May 31, 2020 | Eight-month period ended on that date |
| June 30, 2020 | Nine-month period ended on that date |
| July 31, 2020 | Ten-month period ended on that date |
| August 31, 2020 | Eleven-month period ended on that date |
| Last day of each month thereafter | Twelve-month period ended on that date |

***"FIRREA"*** means the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

***"Fiscal Year"*** means the fiscal year of Borrowers which ends on December 31 of each year.

***"Fixed Charge Coverage Ratio"*** means the ratio, determined in a manner acceptable to Agent in its Permitted Discretion, as to any FCCR Measurement Period, of (a) EBITDA for such period, minus unfinanced Capital Expenditures of the Loan Party Obligors on a consolidated basis for such period, to (b) Fixed Charges for such period.

***"Fixed Charges"*** means, for the period in question, on a consolidated basis, the sum of (a) all principal payments scheduled or required to be made during or with respect to such period in respect of Indebtedness of the Loan Party Obligors, plus (b) all Interest Expense of the Loan Party Obligors for such period paid or required to be paid in cash attributable to such period, plus (c) all taxes of the Loan Party Obligors paid or required to be paid for such period and plus (d) all cash distributions (including Permitted Tax Distributions, if applicable), dividends, redemptions and other cash payments made or required to be made during such period with respect to equity securities or subordinated debt issued by any Loan Party Obligors (other than payments with respect to the HHG Note).

***"Foreign Plan"*** means any employee benefit plan or arrangement (a) maintained or contributed to by any Obligor or Subsidiary that is not subject to the laws of the United States or Canada; or (b) mandated by a government other than the United States or Canada for employees of any Obligor or Subsidiary.

***"Foreign Subsidiary"*** means a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary or a pledge of more than 65% of the voting equity of such Subsidiary, in each case to secure the Obligations, would result in material tax liability to Borrowers.

***"FRB"*** means the Board of Governors of the Federal Reserve System or any successor thereto.

***"Funding Account"*** has the meaning set forth in Section 2.3(b).

*"**GAAP**"* means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the United States accounting profession) which are applicable to the circumstances as of the date of determination, in each case consistently applied.

*"**Governing Documents**"* means, with respect to any Person, the certificate of incorporation, articles of incorporation, certificate of formation, certificate of limited partnership, by-laws, operating agreement, limited liability company agreement, limited partnership agreement or other similar governance document of such Person.

*"**Governmental Authority**"* means the government of the United States of America, Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and having jurisdiction over this account.

*"**Guaranty**" or "**Guarantied**",* as applied to any Indebtedness, liability or other obligation, means (a) a guaranty, directly or indirectly, in any manner, including by way of endorsement (other than endorsements of negotiable instruments for collection in the Ordinary Course of Business), of any part or all of such Indebtedness, liability or obligation and (b) an agreement, contingent or otherwise, and whether or not constituting a guaranty, assuring, or intended to assure, the payment or performance (or payment of damages in the event of non- performance) of any part or all of such Indebtedness, liability or obligation by any means (including the purchase of securities or obligations, the purchase or sale of property or services or the supplying of funds).

"***HHG Note***" means the Subordinated Unsecured Promissory Note dated as of the date hereof issued by Holdings to Ultimate Parent, as such HHG Note may be amended, restated and increased from time to time in accordance with this Agreement and the HHG Subordination Agreement.

"***HHG Subordination Agreement***" means the Subordination Agreement, dated as of the date hereof, by and among the Agent, the Borrowers and the Loan Party Obligors.

*"**Holdings**"* means Hydrofarm Holdings, LLC, a Delaware limited liability company.

*"**Hydrofarm**"* means Hydrofarm, LLC, a California limited liability company.

*"**Indebtedness**"* means (without duplication), with respect to any Person, (a) all obligations or liabilities, contingent or otherwise, for borrowed money, (b) all obligations represented by promissory notes, bonds, debentures or the like, or on which interest charges are customarily paid, (c) all liabilities secured by any Lien on property owned or acquired, whether or not such liability shall have been assumed, (d) all obligations of such Person under conditional sale or other title-retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than (i) trade accounts and accrued expenses payable in the ordinary course of business and (A) not overdue by more than 90 days or (B) to the extent overdue by more than 90 days (but not more than 270 days) are being Properly Contested, (ii) any earn-out obligation to the extent such obligation is not required to be reflected on such Person's balance sheet in accordance with GAAP, (iii) accruals for payroll and other liabilities accrued in the Ordinary Course of Business), (f) all Capitalized Leases of such Person, (g) all obligations (contingent or otherwise) of such Person as an account party or applicant in respect of letters of credit and bankers' acceptances or in respect of financial or other hedging obligations, (h) all equity interests issued by such Person subject to repurchase or redemption at any time on or prior to the Scheduled Maturity Date, other than voluntary repurchases or redemptions that are at the sole option of such Person, (i) all principal outstanding under any synthetic lease, off-balance sheet loan or similar financing product and (j) all Guaranties, endorsements (other than for collection in the Ordinary Course of Business) and other contingent obligations in respect of the obligations of others.

***"Indemnified Taxes"*** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

***"Intellectual Property"*** means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, Canadian multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks and trademark licenses and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"***Intercreditor Agreement***" means the Intercreditor Agreement dated as of the Closing Date among Agent, Term Loan Agent, and the Loan Party Obligors, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

***"Interest Expense"*** means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

***"Inventory Advance Rate"*** means the percentage(s) set forth in Section 1(b)(ii) of Annex I.

***"Inventory Sublimit"*** means the amount(s) set forth in Section 1(d) of Annex I.

***"Investment Affiliate"*** means any fund or investment vehicle that (a) is organized by a Person for the purpose of making equity or debt investments in one or more companies and (b) is controlled by, or under common control with, such Person. For purposes of this definition *"control"* means the power to direct or cause the direction of management and policies of a Person, whether by contract or otherwise.

*"**Investment Corp**"* means Hydrofarm Investment Corp, a Delaware corporation.

***"Investment Property"*** means the collective reference to (a) all ***"investment property"*** as such term is defined in Section 9-102 of the UCC (or, in the case of Canadian Borrowers, the PPSA, as applicable), (b) all ***"financial assets"*** as such term is defined in Section 8-102(a)(9) of the UCC (or in the case of Canadian Borrowers, the PPSA, as applicable) and (c) whether or not constituting ***"investment property"*** as so defined, all Pledged Equity.

***"Issuers"*** means the collective reference to each issuer of Investment Property.

***"Lender"*** means each Person listed on the Commitment Schedule and any other Person that shall have become a Lender hereunder pursuant to an Assignment and Assumption, other than any such Person that ceases to be a Lender hereunder pursuant to an Assignment and Assumption. Unless the context expressly provides otherwise, "Lender" shall include the Swingline Lender.

***"LIBOR Loan"*** means any Loan which bears interest at a rate determined by reference to the LIBOR Rate.

***"LIBOR Rate"*** means, for any calendar month, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100 of 1%) for deposits in Dollars, for a one-month period, that appears on Bloomberg Screen US0001M (or the successor thereto) as the London interbank offered rate for deposits in Dollars as of 11:00 a.m., London time, as of two Business Days prior to the first day of such calendar month (and, in no event shall the LIBOR Rate shall be less than 1.75%), which determination shall be made by Agent and shall be conclusive in the absence of manifest error. For the sake of clarity, the LIBOR Rate shall be adjusted monthly on the first day of each month.

***"Lien"*** means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest or other security arrangement and any other preference, priority, or preferential arrangement in the nature of a security interest of any kind or nature whatsoever, including any conditional sale contract or other title-retention agreement, the interest of a lessor under a Capitalized Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

***"Loan Account"*** has the meaning set forth in Section 3.4.

***"Loan Documents"*** means, collectively, this Agreement (including the Perfection Certificate(s) and all other attachments, annexes and exhibits hereto) and all notes, guaranties, security agreements, mortgages, Borrowing Base Certificates, Compliance Certificates, other certificates, pledge agreements, landlord's agreements, Lock Box and Blocked Account agreements**,** the Canadian Security Agreement, the Subordinated Debt Subordination Agreement, the Intercreditor Agreement and all other agreements, documents and instruments now or hereafter executed or delivered by any Borrower, any Loan Party, or any Other Obligor in connection with, or to evidence the transactions contemplated by, this Agreement.

***"Loan Guaranty"*** means the obligations of Obligors pursuant to Section 12.

***"Loan Limits"*** means, collectively, the Loan Limits for Revolving Loans set forth in Section 1 of Annex I, the Canadian Loan Limit and all other limits on the amount of Loans set forth in this Agreement.

***"Loan Party"*** means, individually, each Borrower, or any Subsidiary that is a Loan Party; and ***"Loan Parties"*** means, collectively, each Borrower and all Subsidiaries.

***"Loan Party Obligor"*** means, individually, each Borrower, or any Obligor that is a Loan Party, Holdings and EHH and any Person identified in the Preamble as a Loan Party Obligor; and ***"Loan Party Obligors"*** means, collectively, each Borrower, and each Loan Party Obligor.

***"Loans"*** means, collectively, the Revolving Loans (including any Protective Advances and Overadvances) and the Swingline Loans.

***"Lock Box"*** has the meaning set forth in Section 6.1.

***"Material Adverse Effect"*** means any event, act, omission, condition or circumstance which, which individually or in the aggregate, has or could reasonably be expected to have a material adverse effect on (a) the business, operations, properties, assets or financial condition of any Loan Party or any Other Obligor, as applicable, (b) the ability of any Loan Party or any Other Obligor, as applicable, to perform any of its obligations under any of the Loan Documents, (c) the validity or enforceability of, or Lender's rights and remedies under, any of the Loan Documents, (d) the ability of Agent and Lenders realize upon any ABL Priority or any other material Collateral in which Agent has previously perfected a Lien or (e) the existence, perfection or priority of any security interest granted in any Loan Document and covering ABL Priority Collateral or any other material Collateral in which Agent has previously perfected a Lien.

***"Material Contract"*** means, any agreement or arrangement to which an Obligor or Subsidiary is party (other than the Loan Documents and the Term Loan Documents) (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933; (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (c) that relates to either (x) Subordinated Debt or (y) Debt, in the case of this clause (y), in an aggregate amount of $500,000 or more.

***"Maturity Date"*** means the earlier of (i) Scheduled Maturity Date, (ii) the Termination Date, or (iii) such earlier date as the Obligations may be accelerated in accordance with the terms of this Agreement (including pursuant to Section 11.2).

***"Maximum Lawful Rate"*** has the meaning set forth in Section 3.5.

***"Maximum Liability"*** has the meaning set forth in Section 12.9.

***"Maximum Revolving Facility Amount"*** means the amount set forth in Section 1(a) of Annex I.

"**Merge**" in reference to any Person which is an entity, means the amalgamation or merger between two (2) or more separate Persons into one (1) surviving entity.

***"Minimum Excess Availability Amount"*** means $5,000,000.

***"Multiemployer Plan"*** means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which a Loan Party or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"***Net Income***" means, for any fiscal period, the Net Income (or loss) of Holdings, the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication: (a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, a Borrower or any of their Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of their Subsidiaries from such Person during such period, (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of their Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of their Subsidiaries, (c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and (d) the cumulative effect of a change in accounting principles.

*"**NOLV**"* means the applicable Net Orderly Liquidation Value as determined by the most current third-party appraisal report, performed by an appraisal firm retained by the Agent for such appraisal project with respect to the Eligible Inventory, and in form and substance acceptable to Agent.

*"**Non-Consenting Lender**"* has the meaning set forth in Section 15.5(b).

*"**Non-Paying Guarantor**"* has the meaning set forth in Section 12.10.

*"**Non-U.S. Recipient**"* has the meaning set forth in Section 13(e)(ii).

*"**Notice of Borrowing**"* has the meaning set forth in Section 2.3.

*"**Obligations**"* means all present and future Loans, advances, debts, liabilities, fees, expenses, obligations, guaranties, covenants, duties and indebtedness at any time owing by any Borrower or any Loan Party Obligor to Agent and Lenders, whether evidenced by this Agreement, any other Loan Document or otherwise, whether arising from an extension of credit, guaranty, indemnification or otherwise, whether direct or indirect (including those acquired by assignment and any participation by any Lender in any Borrower's indebtedness owing to others), whether absolute or contingent, whether due or to become due and whether arising before or after the commencement of a proceeding under the Bankruptcy Code or any similar statute.

*"**Obligor**"* means any guarantor, endorser, acceptor, surety or other Person liable on, or with respect to, any of the Obligations or who is the owner of any property which is security for any of the Obligations, other than Borrower.

*"**Ordinary Course of Business**"* means, in respect of any transaction involving any Person, the ordinary course of business of such Person, as conducted by such Person as of the Closing Date and any practices that are utilized to improve past practices or to conform with customary operating procedures for a similar business, as reasonably determined by such Person.

*"**Other Obligor**"* means any Obligor other than any Loan Party Obligor.

*"**Other Taxes**"* means all present or future stamp, court or documentary, property, excise, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document.

*"**Overadvances**"* has the meaning set forth in Section 2.2(b).*"**Participant**"* has the meaning set forth in Section 15.10(b).

*"**Paying Guarantor**"* has the meaning set forth in Section 12.10.

*"**PBGC**"* means the Pension Benefit Guaranty Corporation.

***"Pension Act"*** means the Pension Protection Act of 2006.

***"Pension Funding Rules"*** means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and Multiemployer Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA, and any sections of the Code or ERISA related thereto that are enacted after the date of this Agreement.

***"Pension Plan"*** means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by a Loan Party and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

***"Perfection Certificate"*** means the Perfection Certificate completed by Borrowers and Obligors and attached hereto and incorporated herein by this reference, and any supplements or updates thereto delivered to Lender in accordance herewith.

"***Permitted Affiliate Sub Debt***" means (x) Indebtedness of Holdings to an Affiliate, (y) the HHG Note and (z) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to an Affiliate, Indebtedness of the Borrower Representative to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, December 31, 2022, (d) provides for payments of interest solely in- kind (and not in cash) until not earlier than December 31, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross- accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

***"Permitted Asset Disposition"*** means an Asset Disposition that is (a) a sale or lease of Inventory in the Ordinary Course of Business; (b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from an Obligor's default; (c) a lease or sublease of Real Estate in the Ordinary Course of Business; (d) a license or sublicense of Intellectual Property (including any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business; (e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term; (f) an Asset Disposition of cash equivalents in the Ordinary Course of Business; (g) an Asset Disposition of Property to a Borrower or any Wholly Owned Loan Party (other than Holdings); (h) Restricted Payments by the Loan Parties and their Subsidiaries, in each case to the extent expressly permitted by Section 8(l); (i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due in an aggregate amount not to exceed $500,000 during any 12-month fiscal period; (j) approved in writing by Agent; or (k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days with another asset useful in the Obligors' business (so long as Agent has a first priority and perfected Lien on any newly acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than Accounts or Inventory) that, in the aggregate during any 12-month fiscal period, has a fair market or book value (whichever is more) of $500,000 or less, (iii) Asset Dispositions of Property (other than Accounts or Inventory) that is obsolete or no longer used or useful in the business or Inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business, or (iv) replacement of Equipment that is worn, damaged or obsolete with Equipment of like function and value, if the replacement Equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Agent) and is free of Liens other than Permitted Liens.

***"Permitted Discretion"*** means a determination made by Agent in good faith and in the exercise of reasonable (from the perspective of an asset-based secured lender) business judgment.

***"Permitted Indebtedness"*** means: (a) the Obligations; (b) the Indebtedness existing on the date hereof described in Section 7 of the Perfection Certificate; in each case along with extensions, refinancings, modifications, amendments and restatements thereof; ***provided***, that (i) the principal amount thereof is not increased (other than by accrued interest that is added to the principal amount of such Indebtedness), (ii) if secured by a Permitted Lien, no additional collateral beyond that existing as of the Closing Date is granted to secure such Indebtedness; (iii) if such Indebtedness is subordinated to any or all of the Obligations, the applicable subordination terms shall not be modified without the prior written consent of Agent and (iv) the terms thereof are not modified to impose more burdensome terms upon any Loan Party (v) it has a final maturity date no sooner than, a weighted average life no less than, and an interest rate no greater than, the Indebtedness being extended, renewed, or refinanced; (c) Permitted Purchase Money Debt; (d) Indebtedness incurred as a result of endorsing negotiable instruments received in the Ordinary Course of Business**;** (e) Subordinated Debt (other than HHG Note) in an aggregate amount outstanding at any time not in excess of $1,000,000 and then solely to the extent the applicable Subordinated Debt is subject to, and permitted by, the applicable Subordinated Debt Subordination Agreement; (f) Indebtedness in respect of appeal bonds, workers' compensation claims, self- insurance obligations and bankers acceptances, in each case, issued for the account of any Obligor in the Ordinary Course of Business, including guarantees or obligations of any Obligor with respect to Letters of Credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for borrowed money); (g) the Term Loan Obligations so long as the loans thereunder do not exceed the Term Loan Maximum Amount (as defined in the Intercreditor Agreement), subject to the limitations set forth in the Intercreditor Agreement; (h) Permitted Intercompany Loans; (i) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business; (j) Subordinated Debt of any Loan Party to repurchase equity interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this clause (j) does not exceed $1,000,000 in the aggregate at any time; (k) arising as a result of an unsecured Guaranty by Holdings of the Indebtedness, Real Property lease or other obligation of a Loan Party permitted by this Agreement (provided, that if any such Indebtedness, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to the Agent and the Lenders as compared to the subordination terms applicable to such Indebtedness, lease or other obligations) (l) Indebtedness consisting of any final judgment rendered against any Loan Party that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constitution an Event of Default in accordance with Section 11(d) hereof; (m) Indebtedness that is not included in any of the preceding clauses of this Definition, is not secured by a Lien and does not exceed $500,000; (n) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (m) above, (p) the Asset Acquisition Earnout Obligations; (q) any Indebtedness associated with sections (d), (e), (i) and (n) of the Permitted Liens as defined below and (r) the HHG Note.

***"Permitted Intercompany Loans"*** means (a) intercompany loans by a U.S. Obligor to another U.S. Obligor, (b) intercompany loans by a Canadian Obligor to another Canadian Obligor, (c) intercompany loans by a U.S. Obligor to a Canadian Obligor in an amount not to exceed $500,000 at any time and so long as immediately before and after giving effect to such loans by a U.S. Obligor to a Canadian Obligor, and no Default or Event of Default exists, and (d) intercompany loans by a Canadian Obligor to a U.S. Obligor.

***"Permitted Liens"*** means (a) Liens securing Permitted Purchase Money Debt; (b) liens for taxes, fees, assessments, or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained provided the same have no priority over any of Agent's security interests; (c) liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such liens are at all times junior to the liens in favor of the Agent; (d) liens existing on the Closing Date and set forth in Section 8 of the Perfection Certificate; (e) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness; (f) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods; (g) liens of materialmen, mechanics, carriers, or other similar liens arising in the Ordinary Course of Business and securing obligations which are not delinquent or are being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained; (h) liens which constitute banker's liens, rights of set-off, or similar rights as to deposit accounts or other funds maintained with a bank or other financial institution (but only to the extent such banker's liens, rights of set-off or other rights are in respect of customary service charges relative to such deposit accounts and other funds, and not in respect of any loans or other extensions of credit by such bank or other financial institution to any Loan Party); (i) cash deposits or pledges of an aggregate amount not to exceed $100,000 to secure the payment of worker's compensation, unemployment insurance, or other social security benefits or obligations, public or statutory obligations, surety or appeal bonds, bid or performance bonds, or other obligations of a like nature incurred in the Ordinary Course of Business; (j) judgment Liens in respect of judgments that do not constitute an Event of Default; (k) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Estate, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business; (l) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness; (m) licenses or sublicenses of Intellectual Property granted by any Obligor in the Ordinary Course of Business; (n) Liens on an insurance policy of any Obligor and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Debt permitted to finance the premiums of such policies; and (o) Liens securing the Term Loan Obligations as permitted by, and subject to, the Intercreditor Agreement.

"***Permitted Purchase Money Debt***" means Purchase Money Debt of the Loan Parties and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount of Permitted Purchase Money Debt outstanding does not exceed $1,000,000 at any time.

"***Permitted Tax Distributions***" means, with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm (which may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to clause (x)(ii)(b) above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Obligor (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Obligor pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of (to the extent reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

***"Person"*** means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, government or any agency or political division thereof, or any other entity.

***"Plan"*** means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan) maintained for employees of any Loan Party or any such plan to which any Loan Party (or with respect to any plan subject to Section 412 of the Code or Section 302 or Title IV of ERISA, any ERISA Affiliate) is required to contribute on behalf of any of its employees.

***"Pledged Equity"*** means the equity interests listed on Sections 1(f) and 1(g) of the Perfection Certificate, together with any other equity interests, certificates, options, or rights or instruments of any nature whatsoever in respect of the equity interests of any Person that may be issued or granted to, or held by, any Loan Party Obligor while this Agreement is in effect, and including, to the extent attributable to, or otherwise related to, such pledged equity interests, all of such Loan Party Obligor's (a) interests in the profits and losses of each Issuer, (b) rights and interests to receive distributions of each Issuer's assets and properties and (c) rights and interests, if any, to participate in the management of each Issuer related to such pledged equity interests.

**"*PPSA*"** means, at any given time, the personal property security legislation as adopted and in effect at such time in the applicable Canadian province or territory where a Canadian Borrower is subsisting, located, or has assets.

***"Pro Rata Share"*** means with respect to all matters relating to any Lender the percentage obtained by dividing (i) the Loan Commitment of that Lender by (ii) the aggregate Loan Commitments of all Lenders, in each case as any such percentages may be adjusted by assignments pursuant to an Assignment and Assumption

***"Protective Advances"*** has the meaning set forth in Section 2.2(a).

***"Properly Contested"*** means with respect to any obligation of an Obligor, (a) the obligation is subject to a bona fide dispute regarding amount or the Obligor's liability to pay; (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; (c) appropriate reserves have been established in accordance with GAAP; (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Obligor; (e) no Lien is imposed on assets of the Obligor, unless bonded and stayed to the satisfaction of Agent; and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

"***Purchase Money Debt***" means (a) Indebtedness (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets, (b) Indebtedness (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof, and (c) any renewals, extensions or refinancings (but not increases) thereof; provided, that, in no event shall the amount of Purchase Money Debt exceed the purchase price of the assets being financed in respect thereof.

"***Purchase Money Lien***" means a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Indebtedness and constituting a Capital Lease or a purchase money security interest under the Uniform Commercial Code or the PPSA.

***"Real Estate"*** all right, title and interest (whether as owner, lessor or lessee) in any real property or any buildings, structures, parking areas or other improvements thereon.

***"Recipient"*** means any Agent, any Lender, any Participant, or any other recipient of any payment to be made by or on account of any Obligation of any Loan Party under this Agreement or any other Loan Document, as applicable.

***"Register"*** has the meaning set forth in Section 15.9(c).

***"Released Parties"*** has the meaning set forth in Section 10.1.

***"Replacement Lender"*** has the meaning set forth in Section 3(c).

***"Reportable Event"*** means any of the events set forth in Section 4043(c) of ERISA, other than events for which the thirty-day notice period has been waived.

***"Required Lenders"*** means at any time Lenders (other than Defaulting Lenders) then holding at least fifty-one (51%) percent of the sum of the aggregate Loan Commitment then in effect; provided, that if there are two or more Lenders, then Required Lenders shall include at least two Lenders (Lenders that are Affiliates or Approved Funds of one another being considered as one Lender for purposes of this proviso).

***"Reserves"*** has the meaning set forth in Section 2.1(b).

***"Restricted Accounts"*** means Deposit Accounts (a) established and used (and at all times will be used) solely for the purpose of paying current payroll obligations of Loan Parties (and which do not (and will not at any time) contain any deposits other than those necessary to fund current payroll), in each case in the Ordinary Course of Business, or (b) maintained (and at all times will be maintained) solely in connection with an employee benefit plan, but solely to the extent that all funds on deposit therein are solely held for the benefit of, and owned by, employees (and will continue to be so held and owned) pursuant to such plan.

"***Restricted Investment***" means any investment by a Loan Party other than investments permitted by Section 8(f).

"***Restricted Payment***" means (a) any declaration or payment of a distribution, interest or dividend on, any payment on account of, or any setting apart assets for a sinking or other analogous fund for, any Equity Interest or Equity Interests Equivalents, (b) any distribution, advance or repayment of any Indebtedness to a direct or indirect holder of Equity Interests or Equity Interests Equivalents, or (c) any purchase, redemption, or other acquisition or retirement for value of, or any setting apart assets for a sinking or other analogous fund for the purchase, redemption, or other acquisition or retirement for value of, any Equity Interest or Equity Interests Equivalents.

***"Revolving Loan Commitment"*** means (a) as to any Lender, the aggregate commitment of such Lender to make Revolving Loans as set forth in the Commitment Schedule or in the most recent Assignment and Assumption to which it is a party (as adjusted to reflect any assignments as permitted hereunder) and (b) as to all Lenders, the aggregate commitment of all Lenders to make Revolving Loans, which aggregate commitment shall be in an amount equal to the Maximum Revolving Facility Amount.

***"Revolving Loans"*** has the meaning set forth in Section 2.1(a).

***"Scheduled Maturity Date"*** means the earlier of the date (a) set forth in Section 6 of Annex I or (b) that is 90 days prior to the scheduled maturity date of the Term Loan Facility.

***"Securities Act"*** means the Securities of Act of 1933, as amended.

***"Settlement"*** has the meaning set forth in Section 2.4(c).

***"Settlement Date"*** has the meaning set forth in Section 2.4(c).

***"Sponsor Group"*** means (i) Hawthorn Equity Partners and its Controlled Investment Affiliates, (ii) Broadband Capital Investments and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates.

***"Stated Rate"*** has the meaning set forth in Section 3.5.

***"Subordinated Debt"*** means (a) any Permitted Affiliate Sub Debt and (b) any other Indebtedness incurred by an Obligor that (i) is unsecured, (ii) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (iii) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, December 31, 2022 (iv) provides for payments of interest solely in-kind (and not in cash) until not earlier than December 31, 2022, (v) does not contain any financial covenants, (vi) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, (vii) is subject to permanent standstill provisions, and (viii) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to Agent in its sole discretion. For the avoidance of doubt, Subordinated Debt shall not include the HHG Note.

***"Subordinated Debt Documents"*** means all documents governing any Subordinated Debt as permitted under the applicable Subordinated Debt Subordination Agreement as amended, restated or otherwise modified from time to time.

***"Subordinated Debt Subordination Agreement"*** means any subordination agreement governing Subordinated Debt entered into by Agent and the applicable holder of such Subordinated Debt (or agent thereof) as amended, restated or otherwise modified from time to time.

***"Subsidiary"*** means any corporation or other entity of which a Person owns, directly or indirectly, through one or more intermediaries, more than 50% of the capital stock or other equity interest at the time of determination. Unless the context indicates otherwise, references to a Subsidiary shall be deemed to refer to a Subsidiary of Borrower.

"***Swap Obligations***" means with respect to any Borrower or Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act, as amended from time to time.

***"Swingline Lender"*** means Encina in its capacity as lender of Swingline Loans hereunder.

***"Swingline Loans"*** has the meaning set forth in Section 2.4(a).

***"Taxes"*** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Term Loan Agent***" means Brightwood Loan Services LLC, in its capacity as administrative agent under the Term Loan Facility, as its successors and assigns.

"***Term Loan Documents***" has the meaning assigned to the term "Term Loan Documents" in the Intercreditor Agreement.

"***Term Loan Facility***" (i) that certain Credit Agreement, dated as of May 12, 2017 among the Obligors, the Term Loan Agent and the Term Loan Lenders, as amended by that certain Amendment No. 1 to Credit Agreement dated as of September 21, 2017 ("***TL Amendment No. 1***"), that certain Amendment No. 2 to Credit Agreement dated as of November 8, 2017 ("***TL Amendment No. 2***"), that certain Forbearance Agreement and Amendment to Credit Agreement dated as of May 18, 2018 (the "***TL Forbearance***"), that certain Amendment No. 1 to Forbearance Agreement dated as of July 16, 2018 (the "***TL Forbearance Amendment***"), that certain Waiver and Amendment No. 3 to Credit Agreement dated as of August 24, 2018 ("***TL Amendment No. 3***"), that certain Amendment No. 4 to Credit Agreement dated as of March 15, 2019 ("***TL Amendment No. 4***"), that certain Amendment No. 5 to Credit Agreement dated as of the Closing Date and as may be further amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Indebtedness or other financial accommodation that has been incurred to increase, extend (subject to the limitations set forth herein and in the Intercreditor Agreement), replace or refinance in whole or in part the Indebtedness and other obligations outstanding under (x) the credit agreement referred to in clause (i) or (y) any subsequent credit agreement, unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Term Loan Facility hereunder shall be deemed a reference to any Term Loan Facility then in existence.

"***Term Loan Lenders***" has the meaning assigned to the term "Term Loan Lenders" in the Intercreditor Agreement.

***"Term Loan Obligations"*** shall mean the "Obligations" as such term is defined in the Term Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

"***Term Loan Priority Collateral***" has the meaning assigned to such term in the Intercreditor Agreement.

"***Term Loan Side Letter Agreement***" has the meaning assigned to such term in Section 7.24(c).

***"Termination Date"*** means the date on which all of the Obligations have been paid in full in cash and all of Agent and Lenders' lending commitments under this Agreement and under each of the other Loan Documents have been terminated.

***"UCC"*** means, at any given time, the Uniform Commercial Code as adopted and in effect at such time in the State of New York or other applicable jurisdiction.

"***Ultimate Parent***" means Hydrofarm Holdings Group, Inc., a Delaware corporation.

***"U.S. Account"*** means any account invoiced and payable in Dollars.

***"U.S. Obligor(s)"*** means any Borrower or Loan Party Obligor organized under the laws of United States of America or any state thereof.

**1.2. Accounting Terms and Determinations.**

Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder (including determinations made pursuant to the exhibits hereto) shall be made, and all financial statements required to be delivered hereunder shall be prepared on a consolidated basis in accordance with GAAP consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or financial requirement set forth in any Loan Document, and either Borrower Representative or Agent shall so request, Required Lenders and Borrower Representative shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; ***provided*** that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Borrower Representative shall provide to Agent and Lenders financial statements and other documents required under this Agreement and the other Loan Documents which include a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (Codification of Accounting Standards 825-10) to value any Indebtedness or other liabilities of any Loan Party at ***"fair value"***, as defined therein.

Notwithstanding anything to the contrary contained in the paragraph above or the definitions of Capital Expenditures or Capitalized Leases, in the event of a change in GAAP after the Closing Date requiring all leases to be capitalized, only those leases (assuming for purposes of this paragraph that they were in existence on the Closing Date) that would constitute Capitalized Leases on the Closing Date shall be considered Capitalized Leases (and all other such leases shall constitute operating leases) and all calculations and deliverables under this Agreement or the other Loan Documents shall be made in accordance therewith (other than the financial statements delivered pursuant to this Agreement; ***provided*** that all such financial statements delivered to Agent and Lenders in accordance with the terms of this Agreement after the date of such change in GAAP shall contain a schedule showing the adjustments necessary to reconcile such financial statements with GAAP as in effect immediately prior to such change).

**1.3. Other Definitional Provisions and References.**

References in this Agreement to ***"Articles"***, ***"Sections"***, ***"Annexes"***, ***"Exhibits"*** or ***"Schedules"*** shall be to Articles, Sections, Annexes, Exhibits or Schedules of or to this Agreement unless otherwise specifically provided. Any term defined herein may be used in the singular or plural. ***"Include"***, ***"includes"*** and ***"including"*** shall be deemed to be followed by ***"without limitation"***. ***"Or"*** shall be construed to mean ***"and/or"***. Except as otherwise specified or limited herein, references to any Person include the successors and assigns of such Person. References ***"from"*** or ***"through"*** any date mean, unless otherwise specified, ***"from and including"*** or ***"through and including"***, respectively. No provision of any Loan Documents shall be construed against any party by reason of such party having, or being deemed to have, drafted the provision. Unless otherwise specified herein, the settlement of all payments and fundings hereunder between or among the parties hereto shall be made in lawful money of the United States and in immediately available funds. Time is of the essence for each performance obligation of the Loan Parties under this Agreement and each Loan Document. All amounts used for purposes of financial calculations required to be made herein shall be without duplication. References to any statute or act shall include all related current regulations and all amendments and any successor statutes, acts and regulations. References to any agreement, instrument or document (a) shall include all schedules, exhibits, annexes and other attachments thereto and (b) shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein or in any other Loan Document). The words ***"asset"*** and ***"property"*** shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Unless otherwise specified herein Dollar ($) baskets set forth in the representations and warranty, covenants and event of default provisions of this Agreement (and other similar baskets) are calculated as of each date of measurement by the Dollar Equivalent Amount thereof as of such date of measurement. Reference to a Loan Party's "knowledge" or similar concept means actual knowledge of a senior officer, or knowledge that a senior officer would have obtained if he or she had engaged in good faith and diligent performance of his or her duties, including reasonably specific inquiries of employees or agents and a good faith attempt to ascertain the matter.

**2. LOANS**.

**2.1. Amount of Loans** .

(a) **Revolving Loans.** Subject to the terms and conditions of this Agreement, each Lender with a Revolving Loan Commitment will severally (and not jointly), from time to time prior to the Maturity Date, at Borrower Representative's request, make revolving loans to Borrowers (***"Revolving Loans"***); ***provided***, that after giving effect to each such Revolving Loan, (A) the outstanding balance of all Revolving Loans plus fees and expenses which are due and payable by Borrower under this Agreement but which have not been paid or charged to the Loan Account will not exceed the lesser of (x) the Maximum Revolving Facility Amount minus the amount of Reserves established against the Maximum Revolving Facility Amount and (y) the Borrowing Base, (B) the aggregate outstanding principal balance of all Revolving Loans to the Canadian Borrowers shall not be in excess of the Canadian Loan Limit, (C) the sum of each Lender's outstanding balance of Revolving Loans will not exceed such Lender's Revolving Loan Commitment and (d) none of the other Loan Limits for Revolving Loans will be exceeded. All Revolving Loans shall be made in and repayable in Dollars.

(b) **Reserves**. Agent may, with or without notice to Borrower Representative, from time to time establish and revise reserves against the Borrowing Base and the Maximum Revolving Facility Amount in such amounts and of such types as Agent deems appropriate in its Permitted Discretion (***"Reserves"***) to reflect (i) events, conditions, contingencies or risks which affect or may affect (A) the ABL Priority Collateral or its value, or the enforceability, perfection or priority of the security interests and other rights of Agent in the ABL Priority Collateral or (B) the assets, business or prospects of any Borrower or any Loan Party Obligor (including the Dilution Reserve), (ii) Agent's good faith concern that any Collateral report or financial information furnished by or on behalf of any Borrower or any Loan Party Obligor to Agent is or may have been incomplete, inaccurate or misleading in any material respect, (iii) any fact or circumstance which Agent determines in good faith constitutes, or could constitute, a Default or Event of Default, or (iv) past due Taxes, or (v) any other events or circumstances which Agent determines in good faith make the establishment or revision of a Reserve prudent. In no event shall the establishment of a Reserve in respect of a particular actual or contingent liability obligate Agent to make advances to pay such liability or otherwise obligate Agent with respect thereto.

(c) **Reserved.**

**2.2. Protective Advances; Overadvances**.

(a) Notwithstanding any contrary provision of this Agreement or any other Loan Document, at any time (i) after the occurrence and during the continuance of a Default or Event of Default or (ii) that any of the other applicable conditions precedent set forth in Section 4 or otherwise are not satisfied, Agent is authorized by each Borrower and each Lender, from time to time, in Agent's sole discretion, to make such Revolving Loans to, or for the benefit of, any Borrower, as Agent in its sole discretion deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, or (2) to enhance the likelihood of repayment of the Obligations (the Revolving Loans described in this Section 2.2 shall be referred to as ***"Protective Advances"***). Notwithstanding any contrary provision of this Agreement or any other Loan Document, Agent may disburse the proceeds of any Protective Advance to any Borrower or to such other Person(s) as Agent determines in its sole discretion. All Protective Advances shall be payable immediately upon demand. Notwithstanding the foregoing, (i) the aggregate amount of all Protective Advances outstanding at any time shall not exceed an amount equal to ten percent (10%) of the Maximum Revolving Facility Amount and (ii) after giving effect to any such Protective Advances, the outstanding balance of all Revolving Loans will not exceed the Maximum Revolving Facility Amount.

(b) Notwithstanding any contrary provision of this this Agreement, at the request of Borrower Representative, Agent may in its sole discretion (but with absolutely no obligation), make Revolving Loans to any Borrower, on behalf of the Lenders with a Revolving Loan Commitment, in amounts that exceed Excess Availability (any such excess Revolving Loans are herein referred to herein, collectively, as "***Overadvances***"); ***provided***, that, no Overadvance shall result in a Default due to any Borrower's failure to comply with Section 2.1(a) for so long as such Overadvance remains outstanding in accordance with the terms of this paragraph, but solely with respect to the amount of such Overadvance. Overadvances may be made even if the conditions precedent set forth in Section 4.2 have not been satisfied. The authority of Agent to make Overadvances is limited to an aggregate amount not to exceed an amount equal to ten percent (10%) of the Maximum Revolving Facility Amount at any time. No Overadvance may remain outstanding for more than thirty (30) days and no Overadvance shall cause any Lender's outstanding balance of Revolving Loans to exceed its Revolving Commitment. Required Lenders may, at any time, revoke Agent's authorization to make Overadvances, ***provided*** that any such revocation must be in writing and shall become effective prospectively upon Agent's receipt thereof.

(c) Upon the making of any Protective Advance or Overadvance (whether before or after the occurrence of a Default), each Lender with a Revolving Loan Commitment shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from Agent, without recourse or warranty, an undivided interest and participation in such Protective Advance or Overadvance, as applicable, in proportion to its Pro Rata Share of the Revolving Loan Commitment. Agent may, at any time, require the applicable Lenders to fund their participations. From and after the date, if any, on which any Lender is required to fund its participation in any Protective Advance or Overadvance, as applicable, purchased hereunder, Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by such Agent in respect of such Loan. Each Lender acknowledges and agrees that (i) Agent may elect to fund a Protective Advance or Overadvance through one or more of its Affiliates (including Encina Business Credit SPV, LLC) on behalf of Agent for administrative convenience and (ii) any such funding shall constitute a Protective Advance or Overadvance, as applicable, as if made by Agent subject to the terms and conditions of this Agreement.

**2.3. Notice of Borrowing; Manner of Revolving Loan Borrowing**.

(a) Borrower Representative shall request each Revolving Loan by submitting such request by ABLSoft (or, if requested by Agent, by delivering, in writing or by an Approved Electronic Communication, a Notice of Borrowing substantially in the form of Exhibit A hereto) (each such request a ***"Notice of Borrowing"***). Subject to the terms and conditions of this Agreement, Agent shall, except as provided in Section 2.2, deliver the amount of the Revolving Loan requested in the Notice of Borrowing for credit to any account of Borrower as Borrower Representative may specify at a bank acceptable to Agent (***provided,*** that such account must be one identified on Section 3 of the Perfection Certificate and approved by Agent as an account to be used for funding of Loan proceeds) (any such account, a "***Funding Account***") by wire transfer of immediately available funds (i) on the same day if the Notice of Borrowing is received by Agent on or before 11:00 a.m**.** Central Time on a Business Day or (ii) on the immediately following Business Day if the Notice of Borrowing is received by Agent after 11:00 a.m. Central Time on a Business Day or on a day that is not a Business Day. Agent shall charge to the Revolving Loan Agent's usual and customary fees for the wire transfer of each Loan.

(b) Promptly following receipt of a Notice of Borrowing in accordance with this Section, Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested borrowing. Each Lender shall make each Revolving Loan to be made by such Lender hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., Central Time, to the account of Agent most recently designated by it for such purpose by notice to the Lenders in an amount equal to such Lender's Pro Rata Share. Unless Agent shall have received notice from a Lender prior to the proposed date of any borrowing that such Lender will not make available to Agent such Lender's share of such borrowing, Agent may assume that such Lender has made (or will make) such share available on such date in accordance with this Section and may, in reliance upon such assumption, make available to Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable borrowing available to Agent, then the applicable Lender and Borrowers severally agree to pay to Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to Borrowers to but excluding the date of payment to Agent, at the interest rate applicable to such Revolving Loans. If such Lender pays such amount to Agent, then such amount shall constitute such Lender's Revolving Loan included in such borrowing.

**2.4. Swingline Loans**.

(a) Agent, Swingline Lender and the Lenders agree that in order to facilitate the administration of this Agreement and the other Loan Documents, promptly after Borrower Representative requests a Revolving Loan, the Swingline Lender may elect to have the terms of this Section 2.4 apply to such borrowing request by advancing, on behalf of the Lenders with a Revolving Loan Commitment and in the amount requested, same day funds to Borrowers (each such Loan made solely by the Swingline Lender pursuant to this Section 2.4 is referred to in this Agreement as a "***Swingline Loan***"), with settlement among them as to the Swingline Loans to take place on a periodic basis as set forth in Section 2.4(c). Each Borrower hereby authorizes the Swingline Lender to, and Swingline Lender shall, subject to the terms and conditions set forth herein (but without any further written notice required), deliver the amount of the Swingline Loan requested to the applicable Funding Account (i) on the same day if the Notice of Borrowing is received by Agent on or before 11:00 a.m. Central Time on a Business Day or (ii) on the immediately following Business Day if the Notice of Borrowing is received by Agent after 11:00 p.m. Central Time on a Business Day or on a day that is not a Business Day. The aggregate amount of Swingline Loans outstanding at any time shall not exceed $2,000,000. Swingline Lender shall not make any Swingline Loan if the requested Swingline Loan exceeds Excess Availability (before giving effect to such Swingline Loan).

(b) Upon the making of a Swingline Loan (whether before or after the occurrence of a Default and regardless of whether a Settlement has been requested with respect to such Swingline Loan), each Lender with a Revolving Commitment shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Swingline Lender, without recourse or warranty, an undivided interest and participation in such Swingline Loan in proportion to its Pro Rata Share of the Revolving Commitment. The Swingline Lender may, at any time, require the applicable Lenders to fund their participations. From and after the date, if any, on which any Lender is required to fund its participation in any Swingline Loan purchased hereunder, Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by such Agent in respect of such Loan.

(c) Agent, on behalf of Swingline Lender, shall request settlement (a "***Settlement***") with respect to Swingline Loans with the Lenders holding a Revolving Commitment on at least a weekly basis or on any date that Agent elects, by notifying the applicable Lenders of such requested Settlement by facsimile, telephone, or e-mail no later than 12:00 p.m. Central Time on the date of such requested Settlement (the "***Settlement Date***"). Each applicable Lender (other than the Swingline Lender) shall transfer the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Swingline Loan with respect to which Settlement is requested to Agent, to such account of Agent as Agent may designate, not later than 2:00 p.m., Central Time, on such Settlement Date. Settlements may occur during the existence of an event of Default and whether or not the applicable conditions precedent set forth in Section 4.2 have then been satisfied. Such amounts transferred to Agent shall be applied against the amounts of the Swingline Lender's Swingline Loans and, together with such Swingline Lender's Pro Rata Share of such Swingline Loan, shall constitute Revolving Loans of such Lenders, respectively. If any such amount is not transferred to Agent by any applicable Lender on such Settlement Date, the Swingline Lender shall be entitled to recover such amount on demand from such Lender together with interest thereon.

**2.5. Repayments**.

(a) **Revolving Loans.** If at any time for any reason whatsoever (including as a result of currency fluctuations) (i) the outstanding balance of all Revolving Loans exceeds the lesser of (x) the Maximum Revolving Facility Amount minus the amount of Reserves established against the Maximum Revolving Facility Amount and (y) the Borrowing Base or (ii) any of the Loan Limits for Revolving Loans are exceeded, then, in each case, Borrowers will immediately pay to Agent such amounts as shall cause Borrowers to eliminate such excess.

(b) **Reserved.**

(c) **Maturity Date Payments.** All remaining outstanding monetary Obligations (including, all accrued and unpaid fees described in Section 3.2) shall be payable in full on the Maturity Date.

**2.6. Prepayments / Voluntary Termination / Application of Prepayments**.

(a) **Reserved**

(b) **Reserved**

(c) **Reserved.**

(d) **Voluntary Termination of Loan Facilities.** Borrower Representative may, on at least thirty days prior written notice received by Agent, permanently terminate the Loan facilities by repaying all of the outstanding Obligations, including all principal, interest and fees with respect to the Revolving Loans, and an Early Payment/Termination Premium in the amount specified in Section 3.2(e). From and after such date of termination, Agent shall have no obligation whatsoever to extend any additional Loans, and all of its lending commitments hereunder shall be terminated.

(e) **Reserved.**

**2.7. Obligations Unconditional**.

(a) The payment and performance of all Obligations shall constitute the absolute and unconditional obligations of each Loan Party Obligor, and shall be independent of any defense or right of set-off, recoupment or counterclaim that any Loan Party Obligor or any other Person might otherwise have against Agent, any Lender or any other Person. All payments required by this Agreement or the other Loan Documents shall be made in Dollars (unless payment in a different currency is expressly provided otherwise in the applicable Loan Document) and paid free of any deductions or withholdings for any taxes or other amounts and without abatement, diminution or set-off. If any Loan Party Obligor is required by applicable law to make such a deduction or withholding from a payment under this Agreement or under any other Loan Document, such Loan Party Obligor shall pay to Agent such additional amount as shall be necessary to ensure that, after the making of such deduction or withholding, Agent receives (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made. Each Loan Party Obligor shall (a) pay the full amount of any deduction or withholding that it is required to make by law, to the relevant authority within the payment period set by applicable law and (b) promptly after any such payment, deliver to Agent an original (or certified copy) official receipt issued by the relevant authority in respect of the amount withheld or deducted or, if the relevant authority does not issue such official receipts, such other evidence of payment of the amount withheld or deducted as is reasonably acceptable to Agent.

(b) If, at any time and from time to time after the Closing Date (or at any time before or after the Closing Date with respect to the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith), (a) any change in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (b) any new law, regulation, treaty or directive enacted or application thereof or (c) compliance by Agent with any request or directive (whether or not having the force of law) from any Governmental Authority, central bank or comparable agency (i) subjects Agent or any Lender to any tax, levy, impost, deduction, assessment, charge or withholding of any kind whatsoever with respect to any Loan Document, or changes the basis of taxation of payments to Agent or any Lender of any amount payable thereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state, provincial, local or other taxing authorities with respect to interest or fees payable hereunder or under any other Loan Document or changes in the rate of tax on the overall net income of Agent, any Lender or their respective members) or (ii) imposes, modifies or deems applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBOR Rate), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Agent or any Lender or imposes on Agent or any Lender any other condition affecting its LIBOR Loans or its obligation to make LIBOR Loans, the result of which is to increase the cost to (or to impose a cost on) Agent or any Lender of making or maintaining any LIBOR Loan or (iii) imposes on Agent or any Lender any other condition or increased cost in connection with the transactions contemplated thereby or participations therein, and the result of any of the foregoing is to increase the cost to Agent or any Lender of making or continuing any Loan or to reduce any amount receivable hereunder or under any other Loan Documents, then, in each such case, Borrowers shall promptly pay to Agent or such Lender, when notified to do so by Agent or such Lender, any additional amounts necessary to compensate Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount as determined by Agent or such Lender. Each such notice of additional amounts payable pursuant to this Section 2.7(b) submitted by Agent or any Lender, as applicable, to Borrower Representative shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) This Section 2.7 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**2.8. Reversal of Payments**. To the extent that any payment or payments made to or received by Agent or any Lender pursuant to this Agreement or any other Loan Document are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any trustee, receiver or other Person under any state, federal or other bankruptcy or other such applicable law, then, to the extent thereof, such amounts (and all Liens, rights and remedies relating thereto) shall be revived as Obligations (secured by all such Liens) and continue in full force and effect under this Agreement and under the other Loan Documents as if such payment or payments had not been received by Agent or such Lender. This Section 2.8 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**2.9. Notes**. The Loans and Commitments shall, at the request of any Lender, be evidenced by one or more promissory notes in form and substance reasonably satisfactory to such Lender. However, if such Loans are not so evidenced, such Loans may be evidenced solely by entries upon the books and records maintained by Agent.

**2.10. Defaulting Lenders**. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Unused Line Fees pursuant to Section 3.2(c) shall cease to accrue on the unfunded portion of the Revolving Commitment of such Defaulting Lender.

(b) Any amount payable to a Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise) shall, in lieu of being distributed to such Defaulting Lender, be retained by Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to Agent hereunder, (ii) second, to the funding of any Revolving Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by Agent, (iii) third, if so determined by Agent and Borrowers, held in such account as cash collateral for future funding obligations of the Defaulting Lender under this Agreement, (iv) fourth, pro rata, to the payment of any amounts owing to Borrowers or the Lenders as a result of any judgment of a court of competent jurisdiction obtained by Borrowers or any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and (v) fifth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; ***provided***, that if such payment is made at a time when the conditions set forth in Section 4.2 are satisfied, such payment shall be applied solely to prepay the Loans of all Revolving Lenders that are not Defaulting Lenders pro rata prior to being applied to the prepayment of any Loans, or reimbursement obligations owed to, any Defaulting Lender.

(c) No Defaulting Lender shall have any right to approve or disapprove any amendment, waiver, consent or any other action the Lenders or the Required Lenders have taken or may take hereunder, provided that any waiver, amendment or modification requiring the consent of all Lenders or each directly affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender.

**2.11. Appointment of Borrower Representative.**

(a) Each Borrower hereby irrevocably appoints and constitutes Borrower Representative as its agent and attorney-in-fact to request and receive Loans in the name or on behalf of such Borrower and any other Borrowers, deliver Notices of Borrowing, and Borrowing Base Certificates, give instructions with respect to the disbursement of the proceeds of the Loans, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) in the name or on behalf of any Borrower or Borrowers pursuant to this Agreement and the other Loan Documents. Lender may disburse the Loans to such bank account of Borrower Representative or a Borrower or otherwise make such Loans to a Borrower, in each case as Borrower Representative may designate or direct, without notice to any other Borrower. Notwithstanding anything to the contrary contained herein, Lender may at any time and from time to time require that Loans to or for the account of any Borrower be disbursed directly to an operating account of such Borrower.

(b) Borrower Representative hereby accepts the appointment by Borrowers to act as the agent and attorney-in-fact of Borrowers pursuant to this Section 2.9. Borrower Representative shall ensure that the disbursement of any Loans that are at any time requested by or to be remitted to or for the account of a Borrower requested on behalf of a Borrower hereunder, shall be remitted or issued to or for the account of such Borrower.

(c) Each Borrower hereby irrevocably appoints and constitutes Borrower Representative as its agent to receive statements on account and all other notices from Lender with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents.

(d) Any notice, election, representation, warranty, agreement or undertaking made or delivered by or on behalf of any Borrower by Borrower Representative shall be deemed for all purposes to have been made or delivered by such Borrower, as the case may be, and shall be binding upon and enforceable against such Borrower to the same extent as if made or delivered directly by such Borrower.

(e) No resignation by or termination of the appointment of Borrower Representative as agent and attorney-in-fact as aforesaid shall be effective, except after ten (10) Business Days' prior written notice to Lender. If the Borrower Representative resigns under this Agreement, Borrowers shall be entitled to appoint a successor Borrower Representative (which shall be a Borrower and shall be reasonably acceptable to Lender as such successor). Upon the acceptance of its appointment as successor Borrower Representative hereunder, such successor Borrower Representative shall succeed to all the rights, powers and duties of the retiring Borrower Representative and the term "Borrower Representative" shall mean such successor Borrower Representative for all purposes of this Agreement and the other Loan Documents, and the retiring or terminated Borrower Representative's appointment, powers and duties as Borrower Representative shall be thereupon terminated.

**2.12. Joint and Several Liability**

(b) Joint and Several. Each Borrower hereby agrees that such Borrower is jointly and severally liable for the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Agent and Lenders by each other Borrower. Each Borrower agrees that its obligation hereunder shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this Section 2.12 shall be absolute and unconditional, irrespective of, and unaffected by,

(i) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party;

(ii) the absence of any action to enforce this Agreement (including this Section 2.12) or any other Loan Document or the waiver or consent by Agent or any Lender with respect to any of the provisions thereof;

(iii) the existence, value or condition of, or failure to perfect Agent's Lien against, any security for the Obligations or any action, or the absence of any action, by Agent in respect thereof (including the release of any such security);

(iv) the insolvency of any Loan Party or Other Obligor; or

(v) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

(c) Waivers by Borrowers. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Agent to marshal assets or to proceed in respect of the Obligations against any other Loan Party or Other Obligor, any other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this Section 2.12 and such waivers, Agent and Lenders would decline to enter into this Agreement.

(d) Benefit of Joint and Several Obligations. Each Borrower agrees that the provisions of this Section 2.12 are for the benefit of Agent and Lenders and their successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower, Agent and any Lender, the obligations of such other Borrower under the Loan Documents.

(e) Subordination of Subrogation, Etc. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, each Borrower hereby expressly and irrevocably subordinates to payment of the Obligations any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor with respect to any other Loan Party or any Other Obligor until the Obligations are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination is intended to benefit Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this Section 2.12, and that Agent and Lenders and their successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 2.12(d).

(f) Election of Remedies. If Agent may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving Agent a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Agent may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 2.12. If, in the exercise of any of its rights and remedies, Agent shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Agent and waives any claim based upon such action, even if such action by Agent shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Agent.

(g) Contribution with Respect to Guaranty Obligations.

(i) To the extent that any Borrower shall make a payment under this Section 2.12 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "***Guarantor Payment***") that, taking into account all other Guarantor Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Guarantor Payment in the same proportion that such Borrower's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(ii) As of any date of determination, the "***Allocable Amount***" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this Section 2.12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(iii) This Section 2.12(f) is intended only to define the relative rights of Borrowers and nothing set forth in this Section 2.12(f) is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 2.12(a). Nothing contained in this Section 2.12(f) shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(iv) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of each Borrower to which such contribution and indemnification is owing.

(v) The rights of the indemnifying Borrowers against other Loan Parties under this Section 2.12(f) shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of the Commitments.

(h) Liability Cumulative. The liability of Borrowers under this Section 2.12 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

**3. INTEREST AND FEES; LOAN ACCOUNT**.

**3.1. Interest**. All Loans and other monetary Obligations shall bear interest at the interest rate(s) set forth in Section 3 of Annex I, and accrued interest shall be payable (a) on the first day of each month in arrears, (b) upon a prepayment of Loan in accordance with Section 2.6 and (c) on the Maturity Date; ***provided***, that after the occurrence and during the continuation of an Event of Default and upon written demand by Agent (excluding an Event of Default under Section 11.1(g) or (h)), all Loans and other monetary Obligations shall bear interest at a rate per annum equal to two (2) percentage points (2.00%) in excess of the rate otherwise applicable thereto (the ***"Default Rate"***), and all such interest shall be payable on demand. Changes in the interest rate shall be effective as of the first day of each month based on the LIBOR Rate or Base Rate, as applicable, in effect on such date. Subject to Section 3.6 and so long as no Event of Default shall have occurred and be continuing, all Loans shall constitute LIBOR Loans. Upon the occurrence and during the continuance of an Event of Default, at the election of Agent or Required Lenders, all Loans shall constitute Base Rate Loans.

**3.2. Fees**. Borrowers shall pay Agent the following fees on the dates provided therefor, which fees are in addition to all fees and other sums payable by Borrowers or any other Person to Agent under this Agreement or under any other Loan Document and, in each case, are not refundable once paid:

(a) **Closing Fee.** A fee, for the ratable benefit of the Lenders, equal to $**495,000** (the ***"Closing Fee"***), which shall be deemed to be fully earned and payable as of the Closing Date.

(b) **Monthly Administration Fee.** A monthly fee, for the sole benefit of Agent, equal to $**3,000** (the ***"Monthly Administration Fee"***) for each month, or part thereof prior to the Termination Date. The Monthly Administration Fee shall payable monthly in advance due and on the first day of each month following the Closing Date.

(c) **Unused Line Fee.** An unused line fee (the ***"Unused Line Fee"***), for the ratable benefit of the Lenders, equal to one half of one percent (0.50%) per annum of the amount by which (i) the Maximum Revolving Facility Amount, calculated without giving effect to any Reserves or the Availability Block applied to the Maximum Revolving Facility Amount, exceeds (ii) the average daily outstanding principal balance of the Revolving Loans during the immediately preceding month (or part thereof), which fee shall be deemed to be fully earned and payable, in arrears, on the first day of each month until the Termination Date.

(d) **Reserved**.

(e) **Early Payment/Termination Premium.** In the event that, for any reason (including as a result of any voluntary or mandatory prepayment of the Loans, any acceleration of the Loans resulting from an Event of Default, any foreclosure and sale of Collateral, or any sale of Collateral in any bankruptcy or insolvency proceeding), all or any portion of the Lenders' commitment to make Revolving Loans is terminated prior to the Scheduled Maturity Date, in each case pursuant to Section 2.6(d)**,** Section 11.2 or otherwise, then in each such case, in addition to the payment of the principal amount and all unpaid accrued interest and other amounts due thereon, Borrowers immediately shall be required to pay to Agent, for the ratable benefit of the Lenders, a premium (each, an ***"Early Payment/Termination Premium"***) (as liquidated damages and compensation for the cost of the Lenders being prepared to make funds available under this Agreement with respect to such Loans during the scheduled term of this Agreement) in an amount equal to the Applicable Percentage (as defined below) of the amount of any such Revolving Loan commitment termination, as applicable. In each such case, the ***"Applicable Percentage"*** shall be (A) two percent (2.0%), if such event occurs on or before the first anniversary of the Closing Date, or (B) one percent (1.0%) if such event occurs after the first anniversary of the Closing Date, but on or before the second anniversary of the Closing Date, or (C) zero percent (0.0%) if after the second anniversary of the Closing Date. Each Borrower acknowledges and agrees that (x) the provisions of this paragraph shall remain in full force and effect notwithstanding any rescission by Agent of an acceleration with respect to all or any portion of the Obligations pursuant to Section 11.2 or otherwise, (y) payment of any Early Payment/Termination Premium under this paragraph constitutes liquidated damages and not a penalty and (z) the actual amount of damages to Lenders or profits lost by Lenders as a result of such early payment or termination would be impracticable and extremely difficult to ascertain, and the Early Payment/Termination Premium under this paragraph is provided by mutual agreement of Borrowers and Lenders as a reasonable estimation and calculation of such lost profits or damages of Borrowers and Lenders..

**3.3. Computation of Interest and Fees**.

(a) All interest and fees shall be calculated daily on the outstanding monetary Obligations based on the actual number of days elapsed in a year of 360 days.

(b) For the purposes of the Interest Act (Canada), as amended, and disclosure under such act, whenever interest to be paid under this Agreement is to be calculated on the basis of a year of 365 or 366 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 365 or 366 or such other period of time, as the case may be.

**3.4. Loan Account; Monthly Accountings**. Agent shall maintain a loan account for Borrowers reflecting all outstanding Loans, along with interest accrued thereon and such other items reflected therein (the ***"Loan Account"***), and shall provide Borrower Representative with a monthly accounting reflecting the activity in the Loan Account, viewable by Borrowers on ABLSoft. Each accounting shall be deemed correct, accurate and binding on Borrowers and an account stated (except for reverses and reapplications of payments made and corrections of errors discovered by Agent), unless Borrower Representative notifies Agent in writing to the contrary within thirty days after such account is rendered, describing the nature of any alleged errors or omissions. However, Agent's failure to maintain the Loan Account or to provide any such accounting shall not affect the legality or binding nature of any of the Obligations. Interest, fees and other monetary Obligations due and owing under this Agreement may, in Agent's discretion, be charged to the Loan Account, and will thereafter be deemed to be Revolving Loans and will bear interest at the same rate as other Revolving Loans.

**3.5. Further Obligations; Maximum Lawful Rate**. With respect to all monetary Obligations for which the interest rate is not otherwise specified herein (whether such Obligations arise hereunder or under any other Loan Document, or otherwise), such Obligations shall bear interest at the rate(s) in effect from time to time with respect to the Revolving Loans and shall be payable upon demand by Agent. In no event shall the interest charged with respect to any Loan or any other Obligation exceed the maximum amount permitted under applicable law. Notwithstanding anything to the contrary herein or elsewhere, if at any time the rate of interest payable or other amounts hereunder or under any other Loan Document (the ***"Stated Rate"***) would exceed the highest rate of interest or other amount permitted under any applicable law to be charged (the ***"Maximum Lawful Rate"***), then for so long as the Maximum Lawful Rate would be so exceeded, the rate of interest and other amounts payable shall be equal to the Maximum Lawful Rate; ***provided***, that if at any time thereafter the Stated Rate is less than the Maximum Lawful Rate, Borrowers shall, to the extent permitted by applicable law, continue to pay interest and such other amounts at the Maximum Lawful Rate until such time as the total interest and other such amounts received is equal to the total interest and other such amounts which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable or such other amounts payable. Thereafter, the interest rate and such other amounts payable shall be the Stated Rate unless and until the Stated Rate again would exceed the Maximum Lawful Rate, in which event this provision shall again apply. In no event shall the total interest or other such amounts received by Agent exceed the amount which it could lawfully have received had the interest and other such amounts been calculated for the full term hereof at the Maximum Lawful Rate. If, notwithstanding the prior sentence, Agent has received interest or other such amounts hereunder in excess of the Maximum Lawful Rate, such excess amount shall be applied to the reduction of the principal balance of the Loans or to other Obligations (other than interest) payable hereunder, and if no such principal or other Obligations are then outstanding, such excess or part thereof remaining shall be paid to Borrowers. In computing interest payable with reference to the Maximum Lawful Rate applicable to any Lender, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made.

**3.6. Certain Provisions Regarding LIBOR Loans; Replacement of Lenders**.

(a) **Inadequate or Unfair Basis**. If Agent or any Lender reasonably determines (which determination shall be binding and conclusive on Borrowers) that, by reason of circumstances affecting the interbank Eurodollar market, adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate, then Agent or such Lender shall promptly notify Borrower Representative (and Agent, if applicable) thereof and, so long as such circumstances shall continue, (i) Agent and/or such Lender shall be under no obligation to make any LIBOR Loans and (ii) on the last day of the current calendar month, each LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

(b) **Change in Law**. If any change in, or the adoption of any new, law, treaty or regulation, or any change in the interpretation of any applicable law or regulation by any Governmental Authority charged with the administration thereof, would make it (or in the good faith judgment of Agent or the applicable Lender cause a substantial question as to whether it is) unlawful for Agent or such Lender to make, maintain or fund LIBOR Loans, then Agent or such Lender shall promptly notify Borrower Representative and, so long as such circumstances shall continue, (i) Agent or such Lender shall have no obligation to make any LIBOR Loan and (ii) on the last day of the current calendar month for each LIBOR Loan (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

(c) If any Borrower becomes obligated to pay additional amounts to any Lender pursuant to Section 2.7(b), or any Lender gives notice of the occurrence of any circumstances described in Section 2.7(b), or if Lender becomes a Defaulting Lender, Borrowers may designate another Person engaged in the making of commercial loans in the ordinary course of business which is acceptable to Agent in its sole discretion (such other Person being called a "***Replacement Lender***") to purchase the Loans and Commitments of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and, upon such purchase and assumption (pursuant to an Assignment and Assumption), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to Borrowers hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

(d) **LIBOR Discontinuation**. Notwithstanding anything contained herein to the contrary, if Agent reasonably determines after the Closing Date that the LIBOR Rate has been discontinued or is no longer available as a benchmark interest rate, Agent shall select a comparable successor rate in its reasonable discretion (in consultation with the Borrowers), which successor rate shall be applied in a manner consistent with market practice taking into account the benchmark interest rates applicable to funding sources for the Lenders, and will promptly so notify each Lender.

**4. CONDITIONS PRECEDENT**.

**4.1. Conditions to Initial Loans**.

Each Lender's obligation to fund the initial Loans under this Agreement is subject to the following conditions precedent (as well as any other conditions set forth in this Agreement or any other Loan Document), all of which must be satisfied in a manner acceptable to Agent (and as applicable, pursuant to documentation which in each case is in form and substance acceptable to Agent):

(a) each Loan Party Obligor shall have duly executed and/or delivered, or, as applicable, shall have caused such other applicable Persons to have duly executed and or delivered, to Agent such agreements, instruments, documents, proxies, financial statements, projections, lien searches, legal opinions, title insurances, assessments, appraisals, and certificates as Agent may require, including such other agreements, instruments, documents, proxies, financial statements, projections, lien searches, legal opinions, title insurance, assessments, appraisals, and certificates listed on the closing checklist attached hereto as Exhibit B;

(b) Agent shall have completed its business and legal due diligence pertaining to the Loan Parties and their respective businesses and assets, with results thereof satisfactory to Agent in its sole discretion;

(c) each Lender's obligations and commitments under this Agreement shall have been approved by such Lender's Credit Committee;

(d) after giving effect to such Loans, as well as to the payment of all trade payables older than sixty days past due and the consummation of all transactions contemplated hereby to occur on the Closing Date, closing costs and any book overdraft, Excess Availability shall be no less than $2,000,000;

(e) since December 31, 2018, no event shall have occurred which has had, or could reasonably be expected to have, a Material Adverse Effect on any Loan Party;

(f) Borrowers shall have paid to Agent all fees due on the date hereof, and shall have paid or reimbursed Agent for all of Agent's costs, charges and expenses incurred through the Closing Date (and in connection herewith, Borrowers hereby irrevocably authorizes Agent to charge such fees, costs, charges and expenses as Revolving Loans);

(g) the HHG Note shall have been funded; and

(h) Agent shall have received PDFs of the following that shall have been delivered to the Term Loan Agent: (i) original stock certificates or other certificates evidencing the Pledged Equity pledged pursuant to the Security Documents (as defined in the Term Loan Documents), together with an undated stock (or equivalent) power for each such certificate duly executed in blank by the registered owner thereof and (ii) each original promissory note pledged pursuant to the Security Documents (as defined in the Term Loan Documents), if any, together with an undated endorsement for each such promissory note duly executed in blank by the holder thereof.

**4.2. Conditions to all Loans**. No Lender shall be obligated to fund any Loans, unless the following conditions are satisfied:

(a) Borrower Representative shall have provided to Agent such information as Agent may require in order to determine the Borrowing Base (including the items set forth in Section 7.15(a), (b) and (c) (as applicable)), as of such borrowing or issue date, after giving effect to such Loans;

(b) each of the representations and warranties set forth in this Agreement and in the other Loan Documents shall be true and correct in all respects as of the date such Loan is made (or, to the extent any representations or warranties are expressly made solely as of an earlier date, such representations and warranties shall be true and correct as of such earlier date), both before and after giving effect thereto;

(c) no Default or Event of Default shall be in existence, both before and after giving effect thereto; and

(d) no event shall have occurred or circumstance shall exist that has or could reasonably be expected to have a Material Adverse Effect.

Each request (or deemed request) by Borrowers for funding of a Loan shall constitute a representation by each Borrower that the foregoing conditions are satisfied on the date of such request and on the date of such funding or issuance. As an additional condition to any funding, issuance or grant, Agent shall have received such other information, documents, instruments and agreements as it deems appropriate in connection therewith.

**5. COLLATERAL**.

**5.1. Grant of Security Interest**. To secure the full payment and performance of all of the Obligations, each Loan Party Obligor hereby assigns to Agent and grants to Agent, for itself and on behalf of the Lenders, a continuing security interest in all property of each Loan Party Obligor, whether tangible or intangible, real or personal, now or hereafter owned, existing, acquired or arising and wherever now or hereafter located, and whether or not eligible for lending purposes, including: (a) all Accounts (whether or not Eligible Accounts) and all Goods whose sale, lease or other disposition by any Loan Party Obligor has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, any Loan Party Obligor; (b) all Chattel Paper (including Electronic Chattel Paper), Instruments, Documents, and General Intangibles (including all patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guaranty claims, contracts rights, payment intangibles, security interests, security deposits and rights to indemnification); (c) all Inventory (whether or not Eligible Inventory); (d) all Goods (other than Inventory), including Equipment, vehicles, and Fixtures; (e) all Investment Property, including all rights, privileges, authority, and powers of each Loan Party Obligor as an owner or as a holder of Pledged Equity, including all economic rights, all control rights, authority and powers, and all status rights of each Loan Party Obligor as a member, equity holder or shareholder, as applicable, of each Issuer and any rights related to any Loan Party Obligors' capital account within the Issuer in respect of Investment Property; (f) all Deposit Accounts, bank accounts, deposits, money and cash; (g) all Letter-of-Credit Rights; (h) all Commercial Tort Claims listed in Section 2 of the Perfection Certificate; (i) all Supporting Obligations; (j) all life insurance policies; (k) all leases; (l) any other property of any Loan Party Obligor now or hereafter in the possession, custody or control of Agent or any agent or any parent, Affiliate or Subsidiary of Agent, any Lender or any Participant with Lender in the Loans, for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise); and (n) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including proceeds of all insurance policies insuring the foregoing property (including hazard, flood and credit insurance), and all of each Loan Party Obligor's books and records relating to any of the foregoing and to any Loan Party's business.

**5.2. Possessory Collateral**. Promptly, but in any event no later than five Business Days after any Loan Party Obligor's receipt of any portion of the Collateral evidenced by an agreement, Instrument or Document that is ABL Priority Collateral, including any Tangible Chattel Paper and any Investment Property consisting of certificated securities, such Loan Party Obligor shall deliver the original thereof to Agent together with an appropriate endorsement or other specific evidence of assignment thereof to Agent (in form and substance acceptable to Agent). If an endorsement or assignment of any such items shall not be made for any reason, Agent is hereby irrevocably authorized, as attorney and agent-in-fact (coupled with an interest) for each Loan Party Obligor, to endorse or assign the same on such Loan Party Obligor's behalf. To the extent that such Collateral is Term Loan Priority Collateral, the Loan Party Obligor shall deliver copies of the Collateral delivered to the Term Loan Agent.

**5.3. Further Assurances.** Each Loan Party Obligor shall, at its own cost and expense, promptly and duly take, execute, acknowledge and deliver (or cause each other applicable Person to take, execute, acknowledge and deliver) all such further acts, documents, agreements and instruments as may from time to time be necessary or desirable or as Agent may from time to time require in order to (a) carry out the intent and purposes of the Loan Documents and the transactions contemplated thereby, (b) establish, create, preserve, protect and perfect a first priority lien (subject only to Permitted Liens) in favor of Agent in all the ABL Priority Collateral (wherever located) from time to time owned by the Loan Party Obligors and a second priority lien (subject only to Permitted Liens) in favor of Agent in all capital stock and other equity from time to time issued by the Loan Parties (including appraisals of real property in compliance with FIRREA), (c) cause each Subsidiary of any Borrower to guaranty all of the Obligations, all pursuant to documentation that is in form and substance reasonably satisfactory to Agent and (d) facilitate the collection of the Collateral. Without limiting the foregoing, each Loan Party Obligor shall, at its own cost and expense, promptly and duly take, execute, acknowledge and deliver (or cause each other applicable Person to take, execute, acknowledge and deliver) to Agent all promissory notes, security agreements, agreements with landlords, mortgagees and processors and other bailees, subordination and intercreditor agreements and other agreements, instruments and documents, in each case in form and substance reasonably acceptable to Agent, as Agent may request from time to time to perfect, protect and maintain Agent's security interests in the Collateral, including the required priority thereof, and to fully carry out the transactions contemplated by the Loan Documents.

**5.4. UCC Financing Statements**. Each Loan Party Obligor authorizes Agent to file, transmit or communicate, as applicable, from time to time, Financing Statements under the UCC and/or PPSA, along with amendments and modifications thereto, in all filing offices selected by Agent, listing such Loan Party Obligor as the Debtor and Agent as the Secured Party, and describing the collateral covered thereby in such manner as Agent may elect, including using descriptions such as "all personal property of debtor" or "all assets of debtor," or words of similar effect, in each case without such Loan Party Obligor's signature. Each Loan Party Obligor also hereby ratifies its authorization for Agent to have filed, in any filing office, any Financing Statements filed prior to the date hereof.

**5.5. Excluded Property**. Notwithstanding anything in Section 5.1 or any other provision of this Agreement or any other Loan Document, the “Collateral” shall exclude any Excluded Property; provided, if and when any Property shall cease to be Excluded Property, such Property shall be deemed, at all times from and after such date and so long as such Property of the type set forth in clauses (a) through (n) of Section 5.1 does not at any time thereafter become an Excluded Property, to constitute Collateral. For the avoidance of doubt, Excluded Property shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

**6. CERTAIN PROVISIONS REGARDING ACCOUNTS, INVENTORY, COLLECTIONS AND APPLICATIONS OF PAYMENTS**. Until the Termination Date:

**6.1. Lock Boxes and Blocked Accounts**. Each Loan Party Obligor hereby represents and warrants that all Deposit Accounts and all other depositary and other accounts maintained by each Loan Party Obligor as of the Closing Date are described in Section 3 of the Perfection Certificate, which description includes for each such account the name of the Loan Party Obligor maintaining the account, the name of the financial institution at which the account is maintained, the account number and the purpose of the account. Within 45 days after the Closing Date, Section 3 of the Perfection Certificate shall be updated to reflect the new accounts and the existing accounts shall be closed. After the Closing Date, no Loan Party Obligor shall open any new Deposit Account or any other depositary or other account without the prior written consent of Agent and without updating Section 3 of the Perfection Certificate to reflect such Deposit Account or other account. No Deposit Account or other account of any Loan Party Obligor shall at any time constitute a Restricted Account other than accounts expressly indicated on Section 3 of the Perfection Certificate as being Restricted Accounts (and each Loan Party Obligor hereby represents and warrants that each such account shall at all times meet the requirements set forth in the definition of Restricted Account to qualify as a Restricted Account). Each Loan Party Obligor will, at its expense, establish (and revise from time to time as Agent may require) procedures acceptable to Agent, in Agent's sole discretion, for the collection of checks, wire transfers and all other proceeds of all of such Loan Party Obligor's Accounts and other Collateral (***"Collections"***), which shall include (a) directing all Account Debtors to send all Account proceeds directly to a post office box designated by Agent either in the name of such Loan Party Obligor (but as to which Agent has exclusive access) or, at Agent's option, in the name of Agent (a ***"Lock Box"***) and (b) depositing all Collections received by such Loan Party Obligor into one or more bank accounts maintained in the name of such Loan Party Obligor (but as to which Agent has exclusive access) or, at Agent's option, in the name of Agent (each, a ***"Blocked Account"***), under an arrangement acceptable to Agent with a depository bank acceptable to Agent, pursuant to which all funds deposited into each Blocked Account are to be transferred to Agent in such manner, and with such frequency, as Agent shall specify, and/or (c) a combination of the foregoing. Each Loan Party Obligor agrees to execute, and to cause its depository banks and other account holders to execute, such Lock Box and Blocked Account control agreements and other documentation as Agent shall require from time to time in connection with the foregoing, all in form and substance acceptable to Agent, and in any event such arrangements and documents must be in place on the date hereof with respect to accounts in existence on the date hereof, or prior to any such account being opened with respect to any such account opened after the date hereof, in each case excluding Restricted Accounts. Prior to the Closing Date, Borrowers shall deliver to Agent a complete and executed Authorized Accounts form regarding each Borrower's operating account(s) into which the proceeds of Loans are to be paid in the form of Exhibit D annexed hereto.

**6.2. Application of Payments**. All amounts paid to or received by Agent in respect of monetary Obligations, from whatever source (whether from any Borrower or any other Loan Party Obligor pursuant to such other Loan Party Obligor's guaranty of the Obligations, any realization upon any Collateral or otherwise) shall be applied by Agent to the Obligations in such order as Agent may elect, and absent such election shall be applied as follows:

(i) **FIRST**, to reimburse Agent for all out-of-pocket costs and expenses, and all indemnified losses, incurred by Agent which are reimbursable to Agent in accordance with this Agreement or any of the other Loan Documents;

(ii) **SECOND**, to any accrued but unpaid interest on any Protective Advances;

(iii) **THIRD**, to the outstanding principal of any Protective Advances;

(iv) **FOURTH**, to any accrued but unpaid fees owing to Agent and Lenders under this Agreement and/or any other Loan Documents;

(v) **FIFTH**, to any unpaid accrued interest on the Obligations; (vi) **SIXTH**, to the outstanding principal of the Loans; and

(vii) **SEVENTH**, to the payment of any other outstanding Obligations; and after payment in full in cash of all of the outstanding monetary Obligations, any further amounts paid to or received by Agent in respect of the Obligations (so long as no monetary Obligations are outstanding) shall be paid over to Borrowers or such other Person(s) as may be legally entitled thereto.

For purposes of determining the Borrowing Base, such amounts will be credited to the Loan Account and the Collateral balances to which they relate upon Agent's receipt of an advice from Agent's Bank (set forth in Section 5 of Annex I) that such items have been credited to Agent's account at Agent's Bank (or upon Agent's deposit thereof at Agent's Bank in the case of payments received by Agent in kind), in each case subject to final payment and collection. However, for purposes of computing interest on the Obligations, such items shall be deemed applied by Agent three Business Days after Agent 's receipt of advice of deposit thereof at Agent's Bank.

**6.3. Notification; Verification**. Agent or its designee may, from time to time: (a) whether or not a Default or Event of Default has occurred and is continuing, verify directly with the Account Debtors of the Loan Party Obligors (or by any manner and through any medium Agent considers advisable) the validity, amount and other matters relating to the Accounts and Chattel Paper of the Loan Party Obligors, by means of mail, telephone or otherwise, either in the name of the applicable Loan Party Obligor or Agent or such other name as Agent may choose (provided, however, that no Default or Event of Default has occurred or is continuing, Agent shall consult with Borrower Representative on the method of such verification); (b) whether or not a Default or Event of Default has occurred, notify Account Debtors of the Loan Party Obligors that Agent has a security interest in the Accounts of the Loan Party Obligors and direct such Account Debtors to make payment thereof directly to Agent; each such notification to be sent on the letterhead of such Loan Party Obligor and substantially in the form of Exhibit E annexed hereto; and (c) following the occurrence and during the continuance of a Default or Event of Default, demand, collect or enforce payment of any Accounts and Chattel Paper (but without any duty to do so) and, in furtherance of the foregoing, each Loan Party Obligor hereby authorizes Account Debtors to make payments directly to Agent and to rely on notice from Agent without further inquiry. Agent may on behalf of each Loan Party Obligor endorse all items of payment received by Agent that are payable to such Loan Party Obligor for the purposes described above.

**6.4. Power of Attorney**.

Without limiting any of Agent's and the other Lenders' other rights under this Agreement or any other Loan Document, each Loan Party Obligor hereby grants to Agent an irrevocable power of attorney, coupled with an interest, authorizing and permitting Agent (acting through any of its officers, employees, attorneys or agents), at Agent's option but without obligation, with or without notice to such Loan Party Obligor, and at each Loan Party Obligor's expense, to do any or all of the following, in such Loan Party Obligor's name or otherwise:

(a) at any time, whether or not an Event of Default has occurred or is continuing, (i) execute on behalf of such Loan Party Obligor any documents that Agent may, in its sole discretion, deem advisable in order to perfect, protect and maintain Agent's security interests, and priority thereof, in the Collateral and to fully consummate all the transactions contemplated by this Agreement and the other Loan Documents (including such Financing Statements and continuation Financing Statements, and amendments or other modifications thereto, as Agent shall deem necessary or appropriate) and to notify Account Debtors of the Loan Party Obligors in the manner contemplated by Section 6.3, (ii) endorse such Loan Party Obligor's name on all checks and other forms of remittances received by Agent, (iii) pay any sums required on account of such Loan Party Obligor's taxes or to secure the release of any Liens therefor, (iv) pay any amounts necessary to obtain, or maintain in effect, any of the insurance described in Section 7.14, (v) receive and otherwise take control in any manner of any cash or non-cash items of payment or Proceeds of Collateral, (vi) receive and open all mail addressed to such Loan Party Obligor at any post office box or lockbox maintained by Agent for such Loan Party Obligor or at any other business premises of Agent and (vii) endorse or assign to Agent on such Loan Party Obligor's behalf any portion of Collateral evidenced by an agreement, Instrument or Document if an endorsement or assignment of any such items is not made by such Loan Party Obligor pursuant to Section 5.2; and

(b) at any time, after the occurrence and during the continuance of an Event of Default, (i) execute on behalf of such Loan Party Obligor any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or lease (as lessor or lessee) any real or personal property which is ABL Priority Collateral, (ii) execute on behalf of such Loan Party Obligor any invoices relating to any Accounts, any draft against any Account Debtor, any proof of claim in bankruptcy, any notice of Lien or claim, and any assignment or satisfaction of mechanic's, materialman's or other Lien, (iii) execute on behalf of such Loan Party Obligor any notice to any Account Debtor, (iv) pay, contest or settle any Lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same, (v) grant extensions of time to pay, compromise claims relating to, and settle Accounts, Chattel Paper and General Intangibles for less than face value and execute all releases and other documents in connection therewith, (vi) settle and adjust, and give releases of, any insurance claim that relates to any of the ABL Priority Collateral and obtain payment therefor, (vii) instruct any third party having custody or control of any ABL Priority Collateral or books or records belonging to, or relating to, such Loan Party Obligor to give Agent the same rights of access and other rights with respect thereto as Agent has under this Agreement or any other Loan Document, (viii) change the address for delivery of such Loan Party Obligor's mail, and (ix) vote any right or interest with respect to any Investment Property (if it is the Control Agent), and (x) instruct any Account Debtor to make all payments due to any Loan Party Obligor directly to Agent.

Any and all sums paid, and any and all costs, expenses, liabilities, obligations and reasonable attorneys' fees (internal and external counsel) of Agent with respect to the foregoing shall be added to and become part of the Obligations, shall be payable on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. Each Loan Party Obligor agrees that Agent's rights under the foregoing power of attorney and any of Agent's other rights under this Agreement or the other Loan Documents shall not be construed to indicate that Agent or any Lender is in control of the business, management or properties of any Loan Party Obligor.

**6.5. Disputes**. Each Loan Party Obligor shall promptly notify Agent of all disputes or claims relating to its Accounts and Chattel Paper in each case in excess of $100,000. Each Loan Party Obligor agrees that it will not, without Agent's prior written consent, compromise or settle any of its Accounts or Chattel Paper for less than the full amount thereof, grant any extension of time for payment of any of its Accounts or Chattel Paper, release (in whole or in part) any Account Debtor or other person liable for the payment of any of its Accounts or Chattel Paper or grant any credits, discounts, allowances, deductions, return authorizations or the like with respect to any of its Accounts or Chattel Paper; except (unless otherwise directed by Agent during the existence of a Default or an Event of Default) such Loan Party Obligor may take any of such actions in the Ordinary Course of Business consistent with past practices.

**6.6. Invoices**. Within a reasonable time following Agent's request, each Loan Party Obligor will cause all invoices and statements that it sends to Account Debtors or other third parties to be marked and authenticated, in a manner reasonably satisfactory to Agent, to reflect Agent's security interest therein and payment instructions (including, but not limited to, in a manner to meet the requirements of Section 9-404(a)(2) of the UCC or, in the case of the Canadian Borrowers, the PPSA, as applicable).

**6.7. Inventory**.

(a) **Returns.** No Loan Party Obligor will accept returns of any Inventory from any Account Debtor except in the Ordinary Course of Business. In the event the value of returned Inventory in any one calendar month exceeds $500,000 (collectively for all Loan Party Obligors), Borrower Representative will immediately notify Agent (which notice shall specify the value of all such returned Inventory, the reasons for such returns, and the locations and the condition of such returned Inventory).

(b) **Third Party Locations.** No Loan Party Obligor will, without Agent's prior written consent, at any time, store any Inventory with any warehouseman or other third party other than (i) as set forth in Section 1(d) of the Perfection Certificate, (ii) Permitted Asset Dispositions, (iii) at other locations in the United States or Canada, upon 30 Business Days' prior written notice to Agent (and Section 1(d) of the Perfection Certificate will be updated to reflect such location), (iv) transport Collateral to trade shows or other industry expositions for marketing purposes in the Ordinary Course of Business, (v) send Equipment to repair facilities in the Ordinary Course of Business, and (iv) allow employees to utilize Collateral at remote locations in the Ordinary Course of Business.

(c) **Sale on Return, etc.** No Loan Party Obligor will, without Agent's prior written consent, at any time, sell any Inventory on a sale-or-return, guarantied sale, consignment, or other contingent basis.

(d) **Fair Labor Standards Act.** Each Loan Party Obligor represents, warrants and covenants that, at all times, all of the Inventory of each Loan Party Obligor has been, at all times will be, produced only in accordance with the Fair Labor Standards Act of 1938 and all rules, regulations and orders promulgated thereunder.

(e) **Eligibility.** As of each date reported by any Borrower, all Inventory which such Borrower has then reported to Agent as then being Eligible Inventory comply in all respects with the criteria for eligibility set forth in the definition of Eligible Inventory.

**7. REPRESENTATIONS, WARRANTIES AND AFFIRMATIVE COVENANTS**. To induce Agent and the Lenders to enter into this Agreement, each Loan Party Obligor represents, warrants and covenants as follows (it being understood and agreed that (a) each such representation and warranty (i) will be made as of the date hereof and be deemed remade as of each date on which any Loan is made (except to the extent any such representation or warranty expressly relates only to any earlier or specified date, in which case such representation or warranty will be made as of such earlier or specified date) and (ii) shall not be affected by any knowledge of, or any investigation by, Agent or any Lender and (b) each such covenant shall continuously apply with respect to all times commencing on the date hereof and continuing until the Termination Date):

**7.1. Existence and Authority**. Each Loan Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization (which jurisdiction is identified in Section 1(a) of the Perfection Certificate) and is qualified to do business in each jurisdiction in which the failure to be qualified would have a Material Adverse Effect. Each Loan Party has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby. The execution, delivery and performance by each Loan Party Obligor of this Agreement and all of the other Loan Documents to which such Loan Party Obligor is a party have been duly and validly authorized, do not violate such Loan Party Obligor's Governing Documents or any law or any material agreement or instrument or any court order which is binding upon any Loan Party or its property, do not constitute grounds for acceleration of any Indebtedness or obligation under any material agreement or instrument which is binding upon any Loan Party or its property, and do not require the consent of any Person. Each Loan Party Obligor shall preserve and maintain all of its leases, licenses, permits, franchises qualifications, and rights except where the failure to so maintain would be reasonably likely to have a Material Adverse Effect. No Loan Party is required to obtain any government approval, consent, or authorization from, or to file any declaration or statement with, any Governmental Authority in connection with or as a condition to the execution, delivery or performance of any of the Loan Documents. This Agreement and each of the other Loan Documents have been duly executed and delivered by, and are enforceable against, each of the Loan Party Obligors who have signed them, in accordance with their respective terms. Section 1(f) of the Perfection Certificate sets forth the ownership of each Borrower and its Subsidiaries.

**7.2. Names; Trade Names and Styles**. The name of each Loan Party Obligor set forth on Section 1(b) of the Perfection Certificate is its correct and complete legal name as of the date hereof, and no Loan Party Obligor has used any other name at any time in the past five years, or at any time will use any other name, in any tax filing made in any jurisdiction. Listed in Section 1(b) of the Perfection Certificate are all prior names used by each Loan Party Obligor at any time in the past five years and all of the present and prior trade names used by any Loan Party Obligor at any time in the past five years. Borrower Representative shall give Agent at least thirty days' prior written notice (and will deliver an updated Section 1(b) of the Perfection Certificate to reflect the same) before it or any other Loan Party Obligor changes its legal name or does business under any other name.

**7.3. Title to Collateral; Third Party Locations; Permitted Liens**. Each Loan Party Obligor has, and at all times will continue to have, good and marketable title to all of the Collateral. The Collateral now is, and at all times will remain, free and clear of any and all Liens, except for Permitted Liens. Agent now has, and will at all times continue to have, a first-priority perfected and enforceable security interest in all of the ABL Priority Collateral, subject only to the Permitted Liens, and each Loan Party Obligor will at all times defend Agent and the ABL Priority Collateral against all claims of others. Agent now has, and will at all times continue to have, a second-priority perfected and enforceable security interest in all of the Collateral not constituting ABL Priority Collateral, subject only to the Permitted Liens, and each Loan Party Obligor will at all times defend Agent and such Collateral against all claims of others. Except for leases or subleases as to which Borrowers have delivered to Agent a landlord's waiver in form and substance reasonably satisfactory to Agent (unless waived by Agent in its sole discretion; ***provided***, that such waiver may be conditioned upon Agent establishing a rent or other similar Reserve satisfactory to Agent in its sole discretion), no Loan Party Obligor is or will be a lessee or sublessee under any real property lease or sublease. Except for warehouses as to which Borrowers have delivered to Agent a warehouseman's waiver in form and substance reasonably satisfactory to Agent (unless waived by Agent in its sole discretion; ***provided***, that such waiver may be conditioned upon Agent establishing a rent or other similar Reserve satisfactory to Agent in its sole discretion), no Loan Party Obligor is or will at any time be a bailor of any Goods at any warehouse or otherwise. Except as provided in Section 6.7(b), prior to causing or permitting any Collateral to at any time be located upon premises in which any third party (including any landlord, warehouseman, or otherwise) has an interest, Borrower Representative shall notify Agent and the applicable Loan Party Obligor shall cause each such third party to execute and deliver to Agent, in form and substance reasonably acceptable to Agent, such waivers, collateral access agreements, and subordinations as Agent shall specify, so as to, among other things, ensure that Agent's rights in the Collateral are, and will at all times continue to be, superior to the rights of any such third party and that Agent has access to such Collateral. Each applicable Loan Party Obligor will keep at all times in full force and effect, and will comply at all times with all the terms of, any lease of real property where any of the Collateral now or in the future may be located.

**7.4. Accounts and Chattel Paper**. As of each date reported by Borrowers, all Accounts which any Borrower has then reported to Agent as then being Eligible Accounts comply in all respects with the criteria for eligibility set forth in the definition of Eligible Accounts. All such Accounts, and all Chattel Paper owned by any Loan Party Obligor, are genuine and in all respects what they purport to be, arise out of a completed, bona fide and unconditional and non-contingent sale and delivery of goods or rendition of services by a Borrower in the Ordinary Course of Business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto, each Account Debtor thereunder had the capacity to contract at the time any contract or other document giving rise to such Accounts and Chattel Paper were executed, and the transactions giving rise to such Accounts and Chattel Paper comply with all applicable laws and governmental rules and regulations.

**7.5. Electronic Chattel Paper**. To the extent that any Loan Party Obligor obtains or maintains any Electronic Chattel Paper, such Loan Party Obligor shall at all times create, store and assign the record or records comprising the Electronic Chattel Paper in such a manner that (a) a single authoritative copy of the record or records exists which is unique, identifiable and except as otherwise provided below, unalterable, (b) the authoritative copy identifies Agent as the assignee of the record or records, (c) the authoritative copy is communicated to and maintained by Agent or its designated custodian, (d) copies or revisions that add or change an identified assignee of the authoritative copy can only be made with the participation of Agent, (e) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy and (f) any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

**7.6. Capitalization; Investment Property**.

(a) No Loan Party, directly or indirectly, owns, or shall at any time own, any capital stock or other equity interests of any other Person except as set forth in Sections 1(f) and 1(g) of the Perfection Certificate, which Sections list all Investment Property owned by each Loan Party Obligor.

(b) None of the Pledged Equity has been issued or otherwise transferred in violation of the Securities Act, or other applicable laws of any jurisdiction to which such issuance or transfer may be subject. The Pledged Equity pledged by each Loan Party Obligor hereunder constitutes all of the issued and outstanding equity interests of each Issuer owned by such Loan Party Obligor, other than to the extent such Pledged Equity is a controlled foreign corporation in which case such Pledged Equity constitutes 65% of the issued and outstanding equity interests of such Issuer.

(c) All of the Pledged Equity has been duly and validly issued and is fully paid and non-assessable, and the holders thereof are not entitled to any preemptive, first refusal or other similar rights. There are no outstanding options, warrants or similar agreements, documents, or instruments with respect to any of the Pledged Equity except in favor of the Term Loan Agent.

(d) Each Loan Party Obligor has caused each Issuer to amend or otherwise modify its Governing Documents, books, records, and related agreements, documents and instruments, as applicable, to reflect the rights and interests of the Term Loan Agent, and to the extent required to enable and empower Term Loan Agent to exercise and enforce its rights and remedies hereunder in respect of the Pledged Equity and other Investment Property.

(e) Each Loan Party Obligor will take any and all actions required or requested by Agent, from time to time, to (i) cause Agent to obtain exclusive control of any Investment Property that is ABL Priority Collateral in a manner reasonably acceptable to Agent and (ii) obtain from any Issuers and such other Persons as Agent shall specify, for the benefit of Agent, written confirmation of Agent's exclusive control over such Investment Property that is ABL Priority Collateral and take such other actions as Agent may request to perfect Agent's security interest in any Investment Property that is ABL Priority Collateral. For purposes of this Section 7.6, Term Loan Agent shall have exclusive control of Investment Property if (A) pursuant to Section 5.2, such Investment Property consists of certificated securities and the applicable Loan Party Obligor delivers such certificated securities to Term Loan Agent (with all appropriate endorsements), (B) such Investment Property consists of uncertificated securities and either (x) the applicable Loan Party Obligor delivers such uncertificated securities to Term Loan Agent or (y) the Issuer thereof agrees, pursuant to documentation in form and substance reasonably satisfactory to Term Loan Agent, that it will comply with instructions originated by Term Loan Agent without further consent by the applicable Loan Party Obligor and (C) such Investment Property consists of security entitlements and either (x) Term Loan Agent becomes the entitlement holder thereof or (y) the appropriate securities intermediary agrees, pursuant to documentation in form and substance reasonably satisfactory to Term Loan Agent, that it will comply with entitlement orders originated by Term Loan Agent without further consent by the applicable Loan Party Obligor. Each Loan Party Obligor that is a limited liability company or a partnership hereby represents and warrants that it has not elected, and at no time will, elect pursuant to the provisions of Section 8-103 of the UCC to provide that its equity interests are securities governed by Article 8 of the UCC or make a similar election under the laws of any other jurisdiction.

(f) No Loan Party owns, or has any present intention of acquiring, any ***"margin security"*** or any ***"margin stock"*** within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System (herein called ***"margin security"*** and ***"margin stock"***). None of the proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry, any margin security or margin stock or for any other purpose which might constitute the transactions contemplated hereby a ***"purpose credit"*** within the meaning of said Regulations T, U or X, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Exchange Act, or any rules or regulations promulgated under such statutes.

(g) No Loan Party Obligor shall vote to enable, or take any other action to cause or to permit, any Issuer to issue any equity interests of any nature, or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any equity interests of any nature of any Issuer.

(h) No Loan Party Obligor shall take, or fail to take, any action that would in any manner impair the value or the enforceability of Term Loan Agent's Lien on any of the Investment Property, or any of Term Loan Agent's rights or remedies under this Term Loan Documents with respect to any of the Investment Property.

(i) In the case of any Loan Party Obligor which is an Issuer, such Issuer agrees that the terms of Section 11.3(g)(iii) shall apply to such Loan Party Obligor with respect to all actions that may be required of it pursuant to such Section 11.3(g)(iii) regarding the Investment Property issued by it.

(j) Each Loan Party Obligor has made all capital contributions heretofore required to be made to the respective Issuer in respect of any Investment Property constituting limited liability company interests and no additional capital contributions are required to be made in respect of the respective limited liability company interests.

**7.7. Commercial Tort Claims**. No Loan Party Obligor has any Commercial Tort Claims in excess of $100,000 pending other than those listed in Section 2 of the Perfection Certificate, and each Loan Party Obligor shall promptly (but in any case, no later than five Business Days thereafter) notify Agent in writing upon incurring or otherwise obtaining a Commercial Tort Claim after the date hereof against any third party. Such notice shall constitute such Loan Party Obligor's authorization to amend such Section 2 to add such Commercial Tort Claim and shall automatically be deemed to amend such Section 2 to include such Commercial Tort Claim.

**7.8. Jurisdiction of Organization; Location of Collateral**. Sections 1(c) and 1(d) of the Perfection Certificate set forth (a) each place of business of each Loan Party Obligor (including its chief executive office), (b) all locations where all Inventory, Equipment, and other Collateral owned by each Loan Party Obligor is kept and (c) whether each such Collateral location and place of business (including each Loan Party Obligor's chief executive office) is owned by a Loan Party or leased (and if leased, specifies the complete name and notice address of each lessor). Except as permitted by Section 6.7(b), no Collateral is located outside the United States or Canada or in the possession of any lessor, bailee, warehouseman or consignee, except as expressly indicated in Sections 1(c) and 1(d) of the Perfection Certificate. Each Loan Party Obligor will give Agent at least thirty (30) days' prior written notice before changing its jurisdiction of organization, opening any additional place of business, changing its chief executive office or the location of its books and records, or, subject to Section 6.7(b) moving any of the Collateral to a location other than one of the locations set forth in Sections 1(c) and 1(d) of the Perfection Certificate, and will execute and deliver all Financing Statements, landlord waivers, collateral access agreements, mortgages, and all other agreements, instruments and documents which Agent shall require in connection therewith prior to making such change, all in form and substance reasonably satisfactory to Agent. Without the prior written consent of Agent, no Loan Party Obligor will at any time (i) change its jurisdiction of organization or (ii) allow any Collateral to be located outside of the continental United States of America or Canada.

**7.9. Financial Statements and Reports; Solvency**.

(a) All financial statements delivered to Agent and Lenders by or on behalf of any Loan Party have been, and at all times will be, prepared in conformity with GAAP and completely and fairly reflect the financial condition of each Loan Party covered thereby, at the times and for the periods therein stated.

(b) As of the date hereof (after giving effect to the Loans to be made on the date hereof, and the consummation of the transactions contemplated hereby), and as of each other day that any Loan is made (after giving effect thereof), (i) the fair saleable value of all of the assets and properties of each Loan Party, individually, exceeds the aggregate liabilities and Indebtedness of each such Loan Party (including contingent liabilities), (ii) each Loan Party, individually, is solvent and able to pay its debts as they come due, (iii) each Loan Party, individually, has sufficient capital to carry on its business as now conducted and as proposed to be conducted, (iv) no Loan Party is contemplating either the liquidation of all or any substantial portion of its assets or property, or the filing of any petition under any state, federal, or other bankruptcy or insolvency law and (v) no Loan Party has knowledge of any Person contemplating the filing of any such petition against any Loan Party.

**7.10. Tax Returns and Payments; Pension Contributions**. Each Loan Party has filed all Canadian and U.S. federal, provincial, state and material local and foreign tax returns and other reports that it is required by law to file, and has paid, or made provision for the payment of, all Taxes upon it, its income and its Properties that are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Obligor and Subsidiary is adequate for all years not closed by applicable statutes, and for its current Fiscal Year. Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable laws. Each Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter or opinion letter from the Internal Revenue Service to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the Internal Revenue Service. To the best knowledge of each Loan Party, nothing has occurred that would prevent or cause the loss of such tax-qualified status. There are no pending or, to the best knowledge of any Loan Party, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to result in liabilities individually or in the aggregate in excess of $250,000 of any Loan Party. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in liabilities individually or in the aggregate of any Loan Party in excess of $250,000. No ERISA Event has occurred, and no Loan Party is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan, in each case that could reasonably be expected to result in liabilities individually or in the aggregate in excess of $250,000. Each Loan Party and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained, in each case except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. As of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is sixty (60%) or higher and no Loan Party knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below sixty (60%) as of the most recent valuation date. No Loan Party or any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid, except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. No Loan Party or any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. No Pension Plan has been terminated by the plan administrator thereof or by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan, except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000.

**7.11. Compliance with Laws; Intellectual Property; Licenses**.

(a) Each Loan Party has complied, and will continue at all times to comply (a) in all material respects with applicable laws and regulations governing the payment and withholding of Taxes, ERISA, safety and environmental matters, and (b) with other applicable laws and regulations relating to the ownership of real or personal property, the conduct and licensing of each Loan Party's business and other employee matters except where noncompliance could not reasonably be expected to have a Material Adverse Effect.

(b) No Loan Party has received written notice of default or violation, or is in default or violation, with respect to any material judgment, order, writ, injunction, decree, demand or assessment issued by any court or any federal, state, local, municipal or other Governmental Authority relating to any aspect of any Loan Party's business, affairs, properties or assets. No Loan Party has received written notice of or been charged with, or is, to the knowledge of any Loan Party, under investigation with respect to, any violation of any material and applicable law.

(c) To the Loan Parties' knowledge, each Loan Party owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Loan Party's knowledge, threatened Intellectual Property Claim with respect to any Obligor, any Subsidiary or any of its Property (including any Intellectual Property). Except as disclosed on Section 4 of the Perfection Certificate, no Loan Party pays or owes any Royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property that is licensed by or is subject to a pending application or current registration that is owned by any Obligor or Subsidiary is shown on Section 4 of the Perfection Certificate. To any Loan Party's knowledge, there is no third party Intellectual Property licensed to a Loan Party that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Obligor, and no licensed third party Intellectual Property is necessary for Agent to exercise its rights to enforce Agent's Liens with respect to the ABL Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

(d) Each Loan Party has and will continue at all times to have, all federal, state, provincial, local and other licenses and permits required to be maintained in connection with such Loan Party's business operations, and all such licenses and permits are valid and in full force and effect. Each Loan Party has, and will continue at all times to have, complied with the requirements of such licenses and permits in all material respects, except where the failure to comply could not reasonably be expected to have a Material Adverse Effect, and as of the Closing Date has received no written notice of any pending or threatened proceedings for the suspension, termination, revocation or limitation thereof. No Loan Party is aware of any facts or conditions that could reasonably be expected to cause or permit any of such licenses or permits to be voided, revoked or withdrawn.

**7.12. Litigation**. Section 1(e) of the Perfection Certificate discloses all claims, proceedings, litigation or investigations pending or (to the best of each Loan Party Obligor's knowledge) threatened against any Loan Party as of the Closing Date. There is no claim, suit, litigation, proceeding or investigation pending or (to the best of each Loan Party Obligor's knowledge) threatened by or against or affecting any Loan Party in any court or before any Governmental Authority (or any basis therefor known to any Loan Party Obligor) which may result, either separately or in the aggregate, in liability in excess of $500,000 (to the extent not covered by insurance) for the Loan Parties, in any Material Adverse Effect, or in any material impairment in the ability of any Loan Party to carry on its business in substantially the same manner as it is now being conducted.

**7.13. Use of Proceeds**. All proceeds of all Loans shall be used by Borrowers solely (a) with respect to Loans made on the Closing Date, to repay in full its indebtedness owing to Bank of America, NA pursuant to the Existing ABL Agreement, (b) to pay the fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents and the transactions contemplated hereby and thereby, (c) for Borrowers' working capital purposes and (d) for such other purposes as specifically permitted pursuant to the terms of this Agreement. All proceeds of all Loans will be used solely for lawful business purposes.

**7.14. Insurance**.

(a) Each Loan Party will at all times carry property, liability and other insurance, with insurers reasonably acceptable to Agent, in such form and amounts, and with such deductibles and other provisions, as Agent shall reasonably require, but in any event, in such amounts and against such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which such Loan Party operates, and each Borrower will provide Agent with evidence reasonably satisfactory to Agent that such insurance is, at all times, in full force and effect. A true and complete listing of such insurance as of the Closing Date, including issuers, coverages and deductibles, is set forth in Section 5 of the Perfection Certificate. Each property insurance policy shall name Agent as lender loss payee and mortgagee, if applicable, and shall contain a lender's loss payable endorsement, and a mortgage endorsement, if applicable, and each liability insurance policy shall name Agent as an additional insured, and each business interruption insurance policy shall be collaterally assigned to Agent, all in form and substance reasonably satisfactory to Agent. All policies of insurance shall provide that they may not be cancelled or changed without at least thirty (30) days' (or, with respect to nonpayment of premiums, ten (10) days') prior written notice to Agent, and shall otherwise be in form and substance reasonably satisfactory to Agent. Borrower Representative shall advise Agent promptly of any policy cancellation, non-renewal, reduction, or material amendment with respect to any insurance policies maintained by any Loan Party or any receipt by any Loan Party of any notice from any insurance carrier regarding any intended or threatened cancellation, non-renewal, reduction or material amendment of any of such policies, and Borrower Representative shall promptly deliver to Agent copies of all notices and related documentation received by any Loan Party in connection with the same.

(b) Borrower Representative shall deliver to Agent no later than fifteen (15) days prior to the expiration of any then current insurance policies, insurance certificates evidencing renewal of all such insurance policies required by this Section 7.14. Borrower Representative shall deliver to Agent, upon Agent 's request, certificates evidencing such insurance coverage in such form as Agent shall specify.

(c) **IF ANY LOAN PARTY AT ANY TIME OR TIMES HEREAFTER SHALL FAIL TO OBTAIN OR MAINTAIN ANY OF THE POLICIES OF INSURANCE REQUIRED ABOVE (AND PROVIDE EVIDENCE THEREOF TO AGENT) OR TO PAY ANY PREMIUM RELATING THERETO, THEN AGENT, WITHOUT WAIVING OR RELEASING ANY OBLIGATION OR DEFAULT BY ANY BORROWER HEREUNDER, MAY (BUT SHALL BE UNDER NO OBLIGATION TO) OBTAIN AND MAINTAIN SUCH POLICIES OF INSURANCE AND PAY SUCH PREMIUMS AND TAKE SUCH OTHER ACTIONS WITH RESPECT THERETO AS AGENT DEEMS ADVISABLE UPON NOTICE TO BORROWER REPRESENTATIVE. SUCH INSURANCE, IF OBTAINED BY AGENT, MAY, BUT NEED NOT, PROTECT ANY LOAN PARTY'S INTERESTS OR PAY ANY CLAIM MADE BY OR AGAINST ANY LOAN PARTY WITH RESPECT TO THE COLLATERAL. SUCH INSURANCE MAY BE MORE EXPENSIVE THAN THE COST OF INSURANCE ANY LOAN PARTY MAY BE ABLE TO OBTAIN ON ITS OWN AND MAY BE CANCELLED ONLY UPON THE APPLICABLE LOAN PARTY PROVIDING EVIDENCE THAT IT HAS OBTAINED THE INSURANCE AS REQUIRED ABOVE. ALL SUMS DISBURSED BY AGENT IN CONNECTION WITH ANY SUCH ACTIONS, INCLUDING COURT COSTS, EXPENSES, OTHER CHARGES RELATING THERETO AND REASONABLE INTERNAL AND EXTERNAL ATTORNEY COSTS, SHALL CONSTITUTE LOANS HEREUNDER, SHALL BE PAYABLE ON DEMAND BY BORROWERS TO AGENT AND, UNTIL PAID, SHALL BEAR INTEREST AT THE HIGHEST RATE THEN APPLICABLE TO LOANS HEREUNDER.**

**7.15. Financial, Collateral and Other Reporting / Notices**. Each Loan Party has kept, and will at all times keep, adequate records and books of account with respect to its business activities and the Collateral in which proper entries are made in accordance with GAAP reflecting all its financial transactions. The information provided in the Perfection Certificate is correct and complete in all respects. Each Loan Party Obligor will cause to be prepared and furnished to Agent, in each case in a form and in such detail as is acceptable to Agent the following items (the items to be provided under this Section 7.15 shall be delivered to Agent by posting on ABLSoft or, if requested by Agent, by another form of Approved Electronic Communication or in writing):

(a) **Annual Financial Statements.** Not later than one hundred twenty (120) days after the close of each Fiscal Year, unqualified, audited consolidated financial statements of the Loan Parties as of the end of such Fiscal Year, including balance sheet, income statement, and statement of cash flow for such Fiscal Year, in each case on a consolidated and consolidating basis, certified by a firm of independent certified public accountants of recognized standing selected by Borrowers but acceptable to Agent, together with a copy of any management letter issued in connection therewith. Concurrently with the delivery of such financial statements, Borrower Representative shall deliver to Agent a Compliance Certificate, indicating whether (i) Borrowers are in compliance with each of the covenants specified in Section 9, and setting forth a detailed calculation of such covenants and (ii) any Default or Event of Default is then in existence;

(b) **Interim Financial Statements.** Not later than thirty (30) days after the end of each month hereafter, but within 45 days after the last month of each Fiscal Year, unaudited consolidated and consolidating financial statements of the Loan Parties as of the end of such month and of the portion of such Fiscal Year then elapsed, including balance sheet, income statement, statement of cash flow, and results of their respective operations during such month and the then- elapsed portion of the Fiscal Year, together with comparative figures for the same periods in the immediately preceding Fiscal Year and the corresponding figures from the budget for the Fiscal Year covered by such financial statements, in each case on a consolidated and consolidating basis, certified by the principal financial officer of Borrower Representative as prepared in accordance with GAAP and fairly presenting the consolidated financial position and results of operations (including management discussion and analysis of such results) of each Loan Party for such month and period subject only to changes from ordinary course year-end audit adjustments and except that such statements need not contain footnotes. Concurrently with the delivery of such financial statements, Borrower Representative shall deliver to Agent a Compliance Certificate, indicating whether (i) Borrowers are in compliance with each of the covenants specified in Section 9, and setting forth a detailed calculation of such covenants, and (ii) any Default or Event of Default is then in existence;

(c) **Borrowing Base / Collateral Reports / Insurance Certificates / Perfection Certificates / Other Items.** The items described on Annex II hereto by the respective dates set forth therein.

(d) **Projections, Etc.** Not later than thirty (30) days after the end of each Fiscal Year, monthly business projections for the following Fiscal Year for the Loan Parties on a consolidated and consolidating basis, which projections shall include for each such period Borrowing Base projections, profit and loss projections, balance sheet projections, income statement projections and cash flow projections;

(e) **Shareholder Reports, Etc.** Promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which each Loan Party has made available to its shareholders and copies of any regular, periodic and special reports or registration statements which any Loan Party files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or any national securities exchange;

(f) **ERISA Reports.** Copies of any annual report to be filed pursuant to the requirements of ERISA in connection with each plan subject thereto promptly upon request by Agent and in addition, each Loan Party shall promptly notify Agent upon having knowledge of any ERISA Event; and

(g) **Tax Returns.** Each federal, state and provincial income tax return filed by any Loan Party or Other Obligor promptly (but in no event later than ten days following the filing of such return), together with such supporting documentation as is supplied to the applicable tax authority with such return and proof of payment of any amounts owing with respect to such return.

(h) **Notification of Certain Changes**. Promptly (and in no case later than the earlier of (i) three Business Days after a Loan Party obtaining knowledge the occurrence of any of the following and (ii) such other date that such information is required to be delivered pursuant to this Agreement or any other Loan Document) notification to Agent in writing of (A) the occurrence of any Default or Event of Default, (B) the occurrence of any event that has had, or may have, a Material Adverse Effect, (C) any change in any Loan Party's officers or directors, (D) any investigation, action, suit, proceeding or claim (or any material development with respect to any existing investigation, action, suit, proceeding or claim) relating to any Loan Party, any officer or director of a Loan Party, the Collateral or which may result in a Material Adverse Effect, (E) any material loss or damage to the Collateral, (F) any event or the existence of any circumstance that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect, any Default, or any Event of Default, or which would make any representation or warranty previously made by any Loan Party to Agent untrue in any material respect or constitute a material breach if such representation or warranty was then being made, (G) any actual or alleged breaches of any Material Contract or termination or threat to terminate any Material Contract or any material amendment to or modification of a Material Contract, or the execution of any new Material Contract by any Loan Party and (H) any change in any Loan Party's certified independent accountant. In the event of each such notice under this Section 7.15(h), Borrower Representative shall give notice to Agent of the action or actions that each Loan Party has taken, is taking, or proposes to take with respect to the event or events giving rise to such notice obligation.

(i) **Other Information**. Promptly upon request, such other data and information (financial and otherwise) as Agent, from time to time, may reasonably request, bearing upon or related to the Collateral or each Loan Party's and each Other Obligor's business or financial condition or results of operations.

(j) **Notices Under Material Contracts**. Promptly upon any delivery to Loan Party or any of their Subsidiaries of any material notices under any Material Contract, a written statement describing such event, with copies of such amendments, notices or new contracts, delivered to Agent, and a description of any actions being taken pursuant thereto.

(k) **Notices Relating to Term Loan Facility**. Promptly after any Loan Party Obligor knows or has reason to know that any Default or Event of Default has occurred and is continuing, any "Default" or "Event of Default" under and as defined in any Term Loan Documents has occurred and is continuing occurred, but in any event not later than five (5) Business Days after any Loan Party Obligor becomes aware thereof, a notice from the Borrower Representative of such Default, Event of Default, "Default", "Event of Default" describing the same in reasonable detail and a description of the action that the Loan Party Obligors have taken and propose to take with respect thereto.

**7.16. Litigation Cooperation**. Should any third-party suit, regulatory action, or any other judicial, administrative, or similar proceeding be instituted by or against Agent or any Lender with respect to any Collateral or in any manner relating to any Loan Party, this Agreement, any other Loan Document or the transactions contemplated hereby, each Loan Party Obligor shall, without expense to Agent or any Lender, make available each Loan Party, such Loan Party's officers, employees and agents, and any Loan Party's books and records, without charge, to the extent that Agent or such Lender may deem them reasonably necessary in order to prosecute or defend any such suit or proceeding.

**7.17. Maintenance of Collateral, Etc**. Each Loan Party Obligor will maintain all of the Collateral in good working condition, ordinary wear and tear excepted, and no Loan Party Obligor will use the Collateral for any unlawful purpose.

**7.18. Material Contracts**. No Loan Party is a party to a Material Contract except as set forth on Schedule 7.18. The Material Contracts listed on Schedule 7.18 are in full force and effect and there are no events of thereunder or, to the knowledge of the Loan Parties, any event which with notice or passage of time, or both, would constitute and event of default thereunder.

**7.19. No Default**. No Default or Event of Default has occurred and is continuing.

**7.20. No Material Adverse Change**. Since December 31, 2018 there has been no material adverse change in the financial condition, business, operations, or properties of any Loan Party or any Other Obligor.

**7.21. Full Disclosure**. Excluding projections and other forward-looking information, pro forma financial information and information of a general economic or industry nature, no report, notice, certificate, information or other statement delivered or made (including, in electronic form) by or on behalf of any Loan Party, any Other Obligor or any of their respective Affiliates to Agent or Lender in connection with this Agreement or any other Loan Document contains or will at any time contain any untrue statement of a material fact, or omits or will at any time omit to state any material fact necessary to make any statements contained herein or therein not misleading. Except for matters of a general economic or political nature which do not affect any Loan Party or any Other Obligor uniquely, there is no fact presently known to any Loan Party Obligor which has not been disclosed to Agent, which has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Any projections and other forward-looking information and pro forma financial information contained in such materials were prepared in good faith based upon assumptions that were believed by such Loan Party to be reasonable at the time prepared and at the time furnished in light of conditions and facts then known (it being recognized that such projections and other forward-looking information and pro forma financial information are not to be viewed as facts and that actual results during the period or periods covered by any such projections or information may differ from the projected results, and such differences may be material).

**7.22. Sensitive Payments**. No Loan Party (a) has made or will at any time make any contributions, payments or gifts to or for the private use of any governmental official, employee or agent where either the payment or the purpose of such contribution, payment or gift is illegal under the applicable laws of the United States or the jurisdiction in which made or any other applicable jurisdiction, (b) has established or maintained or will at any time establish or maintain any unrecorded fund or asset for any purpose or made any false or artificial entries on its books, (c) has made or will at any time make any payments to any Person with the intention that any part of such payment was to be used for any purpose other than that described in the documents supporting the payment or (d) has engaged in or will at any time engage in any ***"trading with the enemy"*** or other transactions violating any rules or regulations of the Office of Foreign Assets Control or any similar applicable laws, rules or regulations.

**7.23. Holdings**. Holdings shall not: (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the HHG Note; (b) hold any assets other than (i) all of the issued and outstanding equity interests of any Borrower, (ii) contractual rights pursuant to the Loan Documents, Term Loan Documents, and (iii) cash in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including audit fees, reasonable and customary director and officer compensation and indemnification obligations pursuant to its Governing Documents); and (c) incur any liabilities other than under the Loan Documents, under the Term Loan Documents and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to its state of incorporation or organization, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Governing Documents.

**7.24. Term Loan Facility**.

(a) Borrower Representative has furnished Agent a true, correct and complete copy of each of the Term Loan Documents. No statement or representation made in any of the Term Loan Documents by any Loan Party Obligor or, to any Borrower Representative 's knowledge, any other Person, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect as of the time that such statement or representation is made.

(b) As of the Closing Date, neither Ultimate Parent, Investment Corp. nor any of their respective direct or indirect Subsidiaries other than the Loan Party Obligors (i) are borrowers or guarantors of the Term Loan Facility or (ii) have granted any Liens to the Term Loan Agent on any or their assets. Loan Party Obligors agree that, if after the Closing Date, Ultimate Parent, Investment Corp. or any of their respective direct or indirect Subsidiaries other than the Loan Party Obligors (i) become borrowers or guarantors in respect of the Term Loan Facility or (ii) grant any Liens to the Term Loan Agent, such Persons shall promptly agree to become Loan Party Obligors under this Agreement and grant Liens to the Lenders and the Agent in such assets of such Persons in which the Term Loan Agent are so granted a Lien (such assets, the "New Collateral"), in each case, subject to the lien priorities described below, on the same terms as such Persons become borrowers or guarantors and grant Liens in respect of the Term Loan Facility and in a manner consistent with the terms of the Intercreditor Agreement; provided, that, for the avoidance of doubt, the obligations of the Loan Party Obligors under this sentence shall be deemed satisfied if (x) the Liens granted to the Agent and the Lenders in all such New Collateral are subordinated to the Liens granted to the Term Loan Agent in respect of such New Collateral in a manner consistent with the Intercreditor Agreement and (y) the priority of the Liens granted to the Term Loan Agent, the Agent and the Lenders in such New Collateral are consistent with the lien priorities set forth in the Intercreditor Agreement as though all such New Collateral were deemed "Term Loan Priority Collateral" under the Intercreditor Agreement.

(c) For all purposes of the Loan Agreement, the other Loan Documents and the Intercreditor Agreement (including, without limitation, Section 10.1(l) of the Loan Agreement), Agent and the Lenders hereby (i) acknowledge the entry by the Obligors, the Term Loan Agent, Ultimate Parent and Investment Corp. into that certain Side Letter Agreement, dated as of March 15, 2019 (the "***Term Loan Side Letter Agreement***"), (ii) acknowledge the potential consummation of each of the transactions contemplated by the Term Loan Side Letter Agreement at a future date, and (iii) acknowledge that the Obligors shall not be required to comply with the provisions of Section 7.24(b) of this Agreement in connection with any of the matters or transactions described in the Term Loan Side Letter Agreement until, if ever, such transactions are consummated, and if so, in a manner consistent with the last sentence of Section 7.24(b) and the Intercreditor Agreement.

(d) The provisions of the Intercreditor Agreement are enforceable against the Term Loan Agent each holder of the Term Loan Obligations. Each Loan Party Obligor acknowledges that Agent is entering into this Agreement and extending credit and making the Loans in reliance upon the Intercreditor Agreement and this Section 7.24.

**7.25. Subordinated Debt; HHG Note**.

(a) Borrower Representative has furnished Agent a true, correct and complete copy of each of the Subordinated Debt Documents and the HHG Note. No statement or representation made in any of the Subordinated Debt Documents by any Borrower or any other Loan Party or, to any Borrower Representative 's knowledge, any other Person, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect as of the time that such statement or representation is made. Each of the representations and warranties of the Loan Parties set forth in each of the Subordinated Debt Documents and the HHG Note are true and correct in all respects. No portion of the Subordinated Debt is, or at any time shall be, (i) secured by any assets of any of the Loan Parties or any other Person or any equity issued by any of the Loan Parties or any other Person or (ii) guaranteed by any Person (except to the extent expressly permitted by the applicable Subordinated Debt Subordination Agreement).

(b) The provisions of the applicable Subordinated Debt Subordination Agreement and the HHG Subordination Agreement are enforceable against each holder of the applicable Subordinated Debt and the HHG Note. Each Borrower and each other Loan Party Obligor acknowledges that Agent is entering into this Agreement and extending credit and making the Loans in reliance upon the Subordinated Debt Subordination Agreement, the HHG Note Subordination Agreement and this Section 7.25. All Obligations constitute senior Indebtedness entitled to the benefits of the subordination provisions contained in the applicable Subordinated Debt Documents and the HHG Note Subordination Agreement and the applicable Subordinated Debt Subordination Agreement and the HHG Subordination Agreement.

**7.26. Access to Collateral, Books and Records/Retention of Conway MacKenzie**. At reasonable times, Agent and its representatives or agents shall have the right to inspect the Collateral and to examine and copy each Loan Party's books and records. Each Loan Party Obligor agrees to give Agent access to any or all of such Loan Party Obligor's, and each of its Subsidiaries', premises to enable Agent to conduct such inspections and examinations. Such inspections and examinations shall be at Borrowers' expense and the charge therefor shall be $1200 per person per day (or such higher amount as shall represent Agent's then current standard charge), plus out-of-pocket expenses. Agent may, at Borrowers' expense, use each Loan Party's personnel, computer and other equipment, programs, printed output and computer readable media, supplies and premises for the collection, sale or other disposition of Collateral to the extent Agent, in its sole discretion, deems appropriate. Each Loan Party Obligor hereby irrevocably authorizes all accountants and third parties to disclose and deliver to Agent, at Borrowers' expense, all financial information, books and records, work papers, management reports and other information in their possession regarding the Loan Parties. The foregoing notwithstanding, so long as no Event of Default has occurred and is continuing, the Loan Parties' obligation to reimburse Agent for any such visit, inspection and/or examination shall be limited to two such occurrences in any four consecutive fiscal quarter period. Loan Party Obligors shall continue to engage the consulting firm of Conway MacKenzie through the earlier of (i) the end of third quarter of Fiscal Year 2019 or (ii) the date Agent specifies that certain U.S. inventory and accounts receivable aging reporting issues have been resolved to Agent's satisfaction in its Permitted Discretion.

**7.27. Appraisals.** Each Loan Party Obligor will permit Agent and each of its representatives or agents to conduct appraisals and valuations of the ABL Priority Collateral at such times and intervals as Agent may designate (including any appraisals that may be required to comply with FIRREA). Such appraisals and valuations shall be at Borrowers' expense, provided, however, so long as no Event of Default has occurred and is continuing, the Loan Parties' obligation to reimburse Agent for any such appraisal\valuation shall be limited to three appraisals\valuations in any four consecutive fiscal quarter period.

**7.28. Lender Meetings**. Upon the request of any Agent or the Required Lenders (which request, so long as no Event of Default shall have occurred and be continuing, shall not be made more than once during each fiscal quarter), participate in a telephonic meeting with the Agents and the Lenders at such time as may be agreed to by Borrower Representative and such Agent or the Required Lenders.

**7.29. Interrelated Businesses**. Loan Parties make up a related organization of various entities constituting a single economic and business enterprise so that Loan Parties share an identity of interests such that any benefit received by any one of them benefits the others. From time to time each of the Loan Parties may render services to or for the benefit of the other Loan Parties, purchase or sell and supply goods to or from or for the benefit of the others, make loans, advances and provide other financial accommodations to or for the benefit of the other Loan Parties (including inter alia, the payment by such Loan Parties of creditors of the other Loan Parties and guarantees by such Loan Parties of indebtedness of the other Loan Parties and provides administrative, marketing, payroll and management services to or for the benefit of the other Loan Parties). Loan Parties have the same centralized accounting and legal services, certain common officers and directors and generally do not provide stand-alone consolidating financial statements to creditors.

**7.30. Canadian Benefit Plans.** Except where the failure to perform any obligation or make any withholding, collection or payment, as applicable, could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect: (a) all obligations of the Loan Parties (including fiduciary, funding, investment, administration and reporting obligations) required to be performed by them in connection with the Canadian Benefit Plans and the funding agreements therefor have been performed, (b) all contributions or premiums required to be made or paid by the Loan Parties to the Canadian Benefit Plans have been made or paid in a timely fashion in accordance with the terms of such plans and all applicable laws, and (c) all employee contributions to the Canadian Benefit Plans by way of authorized payroll deduction or otherwise have been properly withheld or collected by the Loan Parties and have been fully paid into those plans in compliance with the plans and applicable laws. There have been no improper withdrawals or applications of the assets of the Canadian Benefit Plans. There is no proceeding, action, suit or claim (other than routine claims for benefits) pending or threatened involving the Canadian Benefit Plans, and no facts exist which could reasonably be expected to give rise to that type of proceeding, action, suit or claim, except where the outcome thereof could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. No promises of benefit improvements under the Canadian Benefit Plans by the Loan Parties have been made except where improvement could not have a Material Adverse Effect. The Loan Parties shall perform all obligations (including fiduciary, funding, investment and administration obligations) required to be performed in connection with each Canadian Benefit Plan and the funding media therefor; make all contributions and pay all premiums required to be made or paid by it or them in accordance with the terms of the plan and all applicable laws; and withhold by way of authorized payroll deductions or otherwise collect and pay into the plan all employee contributions required to be withheld or collected in accordance with the terms of the plan and all applicable laws.

**7.31. Canadian Pension Plans.** None of the Loan Parties has any Canadian Pension Plans and none of the Loan Parties shall establish or maintain a Canadian Pension Plan without the prior written consent of the Agent.

**7.32. Post-Closing Matters**. Loan Party Obligors shall satisfy the requirements set forth in Schedule 7.32 on or before the dates specified therein or such later date to be determined by Agent, at its sole option, each of which shall be completed or provided in form and substance reasonably satisfactory to Agent. The failure to satisfy any such requirement on or before the date when due (or within such longer period as Agent may agree at its sole option) shall be an Event of Default, except as otherwise agreed to by Agent at its sole option.

**8. NEGATIVE COVENANTS**. Until the Termination Date, no Loan Party Obligor shall, and no Loan Party Obligor shall permit any other Loan Party to:

(a) Merge, Divide, or consolidate with another Person, form any new Subsidiary, including by any Division thereof, acquire any interest in any Person, or wind-up its business operations or cease substantially all or any material portion of its normal business operations, dissolve or liquidate, except after prior written notice to the Agent, for a merger, amalgamation, combination, consolidation, liquidation, or dissolution of a Borrower into another Borrower (other than a Borrower that is a U.S. Obligor into a Canadian Obligor or vice versa), a wholly-owned Subsidiary of a Borrower into another wholly owned Subsidiary of such Borrower (provided that if any such Person is an Obligor, the Obligor shall be the surviving or continuing entity);

(b) acquire all or a material portion of the assets or the business of any Person;

(c) acquire any assets except in the Ordinary Course of Business and as otherwise expressly permitted by this Agreement;

(d) substantially change the nature of the business in which it is presently engaged or enter into any transaction outside the Ordinary Course of Business that is not expressly permitted by this Agreement;

(e) permit an Asset Disposition, sell, lease, assign, transfer, return, liquidate, or dispose of any Collateral or other assets with an aggregate book value in excess of $500,000 in any fiscal year, except that each Loan Party may make a Permitted Asset Disposition;

(f) make any loans to, or investments in, any Affiliate or other Person in the form of money or other assets**;** ***provided***, that

(i) Borrowers may make loans and investments in its wholly-owned Subsidiaries that are Loan Party Obligors;

(ii) Holdings may make investments in Borrowers;

(iii) Loan Party Obligors may make Permitted Intercompany Loans;

(iv) Loan Party Obligors may make investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts;

(v) Loan Party Obligors may make advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business;

(vi) Loan Party Obligors may pay prepaid expenses and make extensions of trade credit made in the Ordinary Course of Business;

(vii) Loan Party Obligors may make investments consisting of contributions of capital or asset transfers to Borrowers or Guarantors, so long as no Change of Control occurs as a result thereof, provided that no Loan Party Obligor that is a U.S. Obligor may make contributions of capital or asset transfers to Borrowers or Guarantors that are Canadian Obligors except as otherwise provided herein;

(viii) Loan Party Obligors may make investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby; and

(ix) Loan Party Obligors may make deposits with financial institutions permitted hereunder;

(g) incur any Indebtedness other than:

(i) the Obligations;

(ii) Permitted Indebtedness; and

(iii) Indebtedness of a Loan Party Obligor consisting of obligations under deferred compensation or other similar arrangements for employees entered into in the Ordinary Course of Business.

(h) create, incur, assume or suffer to exist any Lien or other encumbrance of any nature whatsoever or authorize under the UCC or PPSA of any jurisdiction a Financing Statement naming the Loan Party as debtor, or execute any Security Agreement authorizing any secured party thereunder to file such Financing Statement, other than in favor of Agent to secure the Obligations, on any of its assets whether now or hereafter owned, and Permitted Liens;

(i) authorize, enter into, or execute any agreement giving a Secured Party control of a (i) Deposit Account as contemplated by Section 9-104 of the UCC or (ii) Securities Accounts as contemplated by Section 9-106 of the UCC, in each case other than in favor of Lender to secure the Obligations (or in the case of Canadian Borrowers, the PPSA, as applicable to either (i) or (ii));

(j) enter into any covenant or other agreement that restricts or is intended to restrict it from pledging or granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a Lien on any of its property, whether, real or personal, tangible or intangible, existing or hereafter acquired, in favor of Lender except for:

(i) any agreements governing any Indebtedness permitted under clause (b) or (c) of the definition of Permitted Indebtedness, but only to the extent any such restriction is limited to the assets that are the subject of such agreements;

(ii) (a) customary provisions contained in an agreement restricting assignment of such agreement entered into in the Ordinary Course of Business including the Excluded Property; (b) customary provisions (including customary net worth provisions) in leases, subleases, licenses and sublicenses that restrict the transfer thereof or the transfer of the assets subject thereto by the lessee, sublessee, licensee or sublicensee; and (c) customary restrictions on customer deposits imposed by customers under contracts entered into in the Ordinary Course of Business; and

(iii) customary restrictions that arise in connection with any disposition permitted under Section 8(e) solely to the assets subject to such disposition;

(k) guaranty or otherwise become liable with respect to the obligations (other than the Obligations) of another party or entity except as permitted herein;

(l) make a Restricted Payment unless the Distribution Payment Conditions have been satisfied; ***provided***, that notwithstanding the foregoing:

(i) Loan Party Obligors may declare and accrue any distribution or dividend for shareholders; and

(ii) Loan Party Obligors may make Permitted Tax Distributions;

(m) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Loan Party Obligor's capital stock or other equity interests;

(n) dissolve or elect to dissolve except as permitted in Section 8(a);

(o) engage, directly or indirectly, in a business other than the business which is being conducted on the date hereof, wind up its business operations or cease substantially all, or any material portion, of its normal business operations, or suffer any material disruption, interruption or discontinuance of a material portion of its normal business operations except as permitted in Section
8(a);

(p) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to any Indebtedness that is contractually subordinated to Agent, including the Subordinated Debt, in violation of the applicable subordination or intercreditor agreement;

(q) pay or make any payments with respect to the HHG Note unless permitted by the terms and conditions of the HHG Subordination Agreement;

(r) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to the Term Loan Facility other than (i) regularly scheduled payments of principal and interest and mandatory prepayments permitted by the Intercreditor Agreement, and (ii) voluntary prepayments pursuant to the Term Loan Side Letter Agreement but only to the extent funded by capital contributions made by Ultimate Parent and Investment Corp. to Holdings;

(s) enter into any transaction involving an amount greater than $100,000 with an Affiliate or any employee of any Loan Party Obligor or Affiliate other than (i) on arms-length terms, (ii) payment of reasonable compensation to officers and employees for services actually rendered, and payment of customary directors' fees and indemnities, (iii) intercompany purchases and sales, and (iv) as otherwise disclosed to Agent in writing prior to the date hereof;

(t) change its jurisdiction of organization or enter into any transaction which has the effect of changing its jurisdiction of organization except as provided for in Section 7.8 and Section
8.1(a);

(u) agree, consent, permit or otherwise undertake to amend or otherwise modify any of the terms or provisions of any Loan Party's Governing Documents, except for such amendments or other modifications required by applicable law or that are not materially adverse to Agent and Lenders, and then, only to the extent such amendments or other modifications are fully disclosed in writing to Agent no less than five Business Days prior to being effectuated;

(v) enter into or assume any agreement prohibiting the creation or assumption of any Lien to secure the Obligations upon its properties or assets, whether now owned or hereafter acquired, except in connection with any document or instrument governing Liens permitted pursuant to clause (a) of the definition of Permitted Liens provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien and with respect to Excluded Property;

(w) create or otherwise cause or suffer to exist or become effective any encumbrance or restriction (other than any Loan Documents or Term Loan Documents, as permitted by the Intercreditor Agreement) of any kind on the ability of any such Person to pay or make any dividends or distributions to any Borrower, to pay any of the Obligations, to make loans or advances or to transfer any of its property or assets to any Borrower**;**

(x) agree, consent, permit or otherwise undertake to amend, waive or otherwise modify any of the terms or provisions of any Subordinated Debt Document in violation of the Subordinated Debt Subordination Agreement;

(y) agree, consent, permit or otherwise undertake to amend, waive or otherwise modify any of the terms or provisions of any HHG Note in violation of the HHG Note Subordination Agreement;

(z) become party to any Multiemployer Plan, Canadian Multi-Employer Plan, Foreign Plan or Canadian Defined Benefit Pension Plan, other than any in existence on the Closing Date or maintain, contribute or have any liability in respect of, or acquire any Person that maintains, contributes or has any liability in respect of, a Canadian Pension Plan or Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan during the term of this Agreement;

(aa) amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Term Loan Obligations (including the Term Loan Documents) except to the extent permitted by the Intercreditor Agreement; or

(bb) sell inventory or product to the cannabis/marijuana industry, advertise to the cannabis/marijuana industry (including any direct cannabis trade or social media advertising); provided that nothing in this Section 8(z) shall restrict (i) Borrowers' selling or advertising to the hemp industry or (ii) Borrowers' employees attending and participating in cannabis/marijuana industry conferences/events in a manner that does not include selling or advertising.

(cc) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to the Asset Acquisition Earnout Obligations.

**9. FINANCIAL COVENANTS**. Each Loan Party Obligor shall at all times comply with the following Financial Covenants:

**9.1. Fixed Charge Coverage Ratio/ Minimum Excess Availability**. Borrowers shall not permit Excess Availability at any time following the Availability Block Release Date to be less than the Minimum Excess Availability Amount, unless as of the last day of the most recent month for which the monthly financial statements of Borrowers and the related Compliance Certificate are required to have been delivered to Agent pursuant to **Section 7.15**, the Fixed Charge Coverage Ratio for the applicable FCCR Measurement Period then ended is greater than 1:05 to 1:00.

**9.2. Capital Expenditure Limitation.** The Loan Parties shall not make any Capital Expenditures if, after giving effect to such Capital Expenditures, the aggregate cost of all Capital Expenditures of the Loan Parties would exceed $500,000 during Fiscal Year 2019 and $750,000 annually during any subsequent Fiscal Year.

**10. RELEASE, LIMITATION OF LIABILITY AND INDEMNITY**.

**10.1. Release**. Each Borrower and each other Loan Party Obligor on behalf of itself and its successors, assigns, heirs and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender and any and all Participants and Affiliates, and their respective successors and assigns, and their respective directors, members, managers, officers, employees, attorneys and agents, including each Agent-Related Person, and any other Person affiliated with or representing Agent or any Lender (collectively, the ***"Released Parties"***) of and from any and all liability, including all actual or potential claims, demands or causes of action of any kind, nature or description whatsoever, whether arising in law or equity or under contract or tort or under any state, provincial or federal law or otherwise, which any Borrower or any Loan Party or any of their successors, assigns or other legal representatives has had, now has or has made claim to have against any of the Released Parties for or by reason of any act, omission, matter, cause or thing whatsoever, including any liability arising from acts or omissions pertaining to the transactions contemplated by this Agreement and the other Loan Documents, whether based on errors of judgment or mistake of law or fact, from the beginning of time to and including the Closing Date, whether such claims, demands and causes of action are matured or known or unknown. Notwithstanding any provision in this Agreement to the contrary, this Section 10.1 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans. Such release is made on the date hereof and remade upon each request for a Loan by any Borrower or Borrower Representative.

**10.2. Limitation of Liability**. In no circumstance will any of the Released Parties be liable for lost profits or other special, punitive, or consequential damages. Notwithstanding any provision in this Agreement to the contrary, this Section 10.2 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**10.3. Indemnity**.

(a) Each Loan Party Obligor hereby agrees to indemnify the Released Parties and hold them harmless from and against any and all claims, debts, liabilities, demands, obligations, actions, causes of action, penalties, costs and expenses (including internal and external attorneys' fees), of every nature, character and description, which the Released Parties may sustain or incur based upon or arising out of any of the transactions contemplated by this Agreement or any other Loan Documents or any of the Obligations, any Collateral relating thereto, any drafts thereunder and any errors or omissions relating thereto, or any other matter, cause or thing whatsoever occurred, done, omitted or suffered to be done by Agent or any Lender relating to any Loan Party or the Obligations (except any such amounts sustained or incurred solely as the result of the gross negligence or willful misconduct of such Released Parties, as finally determined by a court of competent jurisdiction and except for disputes among the Released Parties). Notwithstanding any provision in this Agreement to the contrary, this Section 10.3 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

(b) To the extent that any Loan Party Obligor fails to pay any amount required to be paid by it to Agent (or any Released Party of Agent) under paragraph (a) above, each Lender severally agrees to pay to Agent (or such Released Party), such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (it being understood that any such payment by the Lenders shall not relieve any Loan Party of any default in the payment thereof); provided that the unreimbursed expense or indemnified loss, claim, damage, penalty, liability or related expense, as the case may be, was incurred by or asserted against Agent in its capacity as such.

**11. EVENTS OF DEFAULT AND REMEDIES**.

**11.1. Events of Default**. The occurrence of any of the following events shall constitute an ***"Event of Default"***:

(a) **Payment**. If any Loan Party Obligor or any Other Obligor fails to pay to Agent, when due, any principal or interest payment or any other monetary Obligation required under this Agreement or any other Loan Document;

(b) **Breaches of Representations and Warranties**. If any warranty, representation, statement, report or certificate made or delivered to Agent or any Lender by or on behalf of any Loan Party or any Other Obligor is untrue or misleading in any material respect on the date made or deemed made (except where such warranty or representation is already qualified by Material Adverse Effect, materiality, dollar thresholds or similar qualifications, in which case such warranty or representation shall be accurate in all respects);

(c) **Breaches of Covenants**.

(i) If any Loan Party or any Other Obligor defaults in the due observance or performance of any covenant, condition or agreement contained in Section 5.2, 6.1, 6.6, 6.7, 7.2 (limited to the last sentence of Section 7.2), 7.3, 7.7, 7.8, 7.11(c), 7.13, 7.14, 7.15, 7.23, 7.25, 7.26, 7.27, 7.30, 7.31, 7.32, 8 or 9; or

(ii) If any Loan Party or any Other Obligor defaults in the due observance or performance of any covenant, condition or agreement contained in any provision of this Agreement or any other Loan Document and not addressed in clauses Sections 11.1(a), (b) or (c)(i), and such default is not cured within 30 days after a senior officer of such Obligor has knowledge thereof or receives notice thereof from Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by an Obligor;

(d) **Judgment**. If one or more judgments aggregating in excess of $500,000 which is not covered by insurance is obtained against any Loan Party or any Other Obligor which remains unstayed for more than thirty (30) days or is enforced;

(e) **Cross-Default**. If any default occurs with respect to any Indebtedness in the amount of $500,000 or more (other than the Obligations, the Term Loan Facility, the HHG Note or the Subordinated Debt) of any Loan Party or any Other Obligor if (i) such default shall consist of the failure to pay such Indebtedness when due, whether by acceleration or otherwise or (ii) the effect of such default is to permit the holder, with or without notice or lapse of time or both, to accelerate the maturity of any such Indebtedness or to cause such Indebtedness to become due prior to the stated maturity thereof (without regard to the existence of any subordination or intercreditor agreements);

(f) **Dissolution**. The dissolution, termination of existence, insolvency or business failure or suspension or cessation of business as usual of any Loan Party or any Other Obligor (or of any general partner of any Loan Party or any Other Obligor if it is a partnership), except as permitted pursuant to the terms hereof;

(g) **Voluntary Bankruptcy or Similar Proceedings**. If any Loan Party or any Other Obligor shall apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of it or any of its properties, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or be the subject of an order for relief under the Bankruptcy Code or under any bankruptcy or insolvency law of a foreign jurisdiction, or file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or take or permit to be taken any action in furtherance of or for the purpose of effecting any of the foregoing;

(h) **Involuntary Bankruptcy or Similar Proceedings.** The commencement of an involuntary case or other proceeding against any Loan Party or any Other Obligor seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or if an order for relief is entered against any Loan Party or any Other Obligor under any bankruptcy, insolvency or other similar applicable law as now or hereafter in effect; ***provided***, that if such commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such proceedings are not dismissed within sixty (60) days after the commencement of such proceedings, though Agent and Lenders shall have no obligation to make Loans during such sixty-day period or, if earlier, until such proceedings are dismissed;

(i) **Revocation or Termination of Guaranty or Security Documents**. The actual or attempted revocation or termination of, or limitation or denial of liability under, any guaranty of any of the Obligations, or any security document securing any of the Obligations, by any Loan Party or Other Obligor;

(j) **Subordinated Indebtedness.** If any Loan Party or Other Obligor makes any payment on account of the Subordinated Debt, the HHG Note or any Indebtedness or obligation which has been contractually subordinated to the Obligations other than payments which are not prohibited by the applicable subordination provisions pertaining thereto, or if any Person who has subordinated such Indebtedness or obligations attempts to limit or terminate any applicable subordination provisions pertaining thereto, in each case, including the Subordinated Debt Subordination Agreement and the HHG Note Subordination Agreement;

(k) **Term Loan Facility.** A Default or Event of Default (as such terms are defined in the Term Loan Documents) occurs with respect to the Term Loan Facility or the occurrence of any condition or event that results in the Term Loan Obligations becoming due prior to its scheduled maturity as of the Closing Date or permits any holder or holders of the Term Loan Obligations or any trustee or agent on its or their behalf to cause the Term Loan Obligations to become due, or require the prepayment, repurchase, redemption of defeasance thereof, prior to its scheduled maturity as of the Closing Date.

(l) **Criminal Indictment or Proceedings**. If there is any indictment of any Loan Party, any Loan Party's officers, any Other Obligor or any Other Obligor's officers under any criminal statute or commencement of criminal proceedings against any such Person relating to the business affairs of the Loan Parties;

(m) **Change of Control**. If (i) the Sponsor Group shall cease to directly or indirectly own and control, beneficially and of record, Equity Interests of Ultimate Parent representing at least 50.1% of the voting power and at least 50.1% of the economic interest represented by the outstanding equity interests of Ultimate Parent Inc. held by the Sponsor Group as of March 15, 2019; (ii) the Control Group shall cease, for any reason, to have, collectively, the right or ability by voting power, contract or otherwise to, directly or indirectly, elect or designate for election a majority (in number and in voting power) of the members of the board of directors, board of managers or similar governing body of Ultimate Parent, (iii) Ultimate Parent becomes a direct or indirect Subsidiary of any Person, (iv) Ultimate Parent ceases to, directly or indirectly, own and control all of the outstanding equity interests of Investment Corp. and Holdings on a fully diluted basis, (v) Holdings ceases to, directly or indirectly, own and control all of the outstanding equity interests of each other Loan Party Obligor on a fully diluted basis, or (vi) any “change of control” (or similar term) under the Term Loan Facility, the Term Loan Documents or any Subordinated Debt, while outstanding, shall have occurred;

(n) **Change of Management**. If Bill Toler ceases to be employed as, and actively perform the duties of, the chief executive officer of each Loan Party, unless a successor is appointed within ninety (90) days after the termination of such individual's employment and such successor is reasonably satisfactory to Agent;

(o) **Invalid Liens**. If any Lien purported to be created by any Loan Document shall cease to be a valid perfected first priority Lien (subject only to any priority accorded by law to Permitted Liens) on any material portion of the Collateral, or any Loan Party or any other Obligor shall assert in writing that any Lien purported to be created by any Loan Document is not a valid perfected first-priority lien (subject only to any priority accorded by law to Permitted Liens) on the assets or properties purported to be covered thereby;

(p) **Termination of Loan Documents**. If any of the Loan Documents shall cease to be in full force and effect (other than as a result of the discharge thereof in accordance with the terms thereof or by written agreement of all parties thereto);

(q) **Liquidation Sales.** The determination by any Loan Party to employ an agent or other third party or otherwise engage any Person or solicit proposals for the engagement of any Person (i) in connection with the proposed liquidation of all or a material portion of its assets, or (ii) to conduct any so-called closing, liquidation or "GoingOutOfBusiness" sales**;**

(r) **Loss of Collateral**. The (i) uninsured loss, theft, damage or destruction of any of the Collateral, (ii) the uninsured loss, theft, damage or destruction of any of the ABL Priority Collateral in an amount in excess of $250,000 in the aggregate for all such events during any Fiscal Year, or (iii) except as permitted hereby, the sale, lease or furnishing under a contract of service of, any of the ABL Priority Collateral.

(s) **Plans**. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party or any Subsidiary under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $250,000, (ii) the existence of any Lien under Section 430(k) or Section 6321 of the Code or Section 303(k) or Section 4068 of ERISA on any assets of a Loan Party, or (iii) a Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $250,000.

**11.2. Remedies with Respect to Lending Commitments/Acceleration, Etc.** Upon the occurrence of an Event of Default, Agent may (in its sole discretion), or at the direction of Required Lenders, shall, (a) terminate all or any portion of its commitment to lend to or extend credit to Borrowers under this Agreement and/or any other Loan Document, without prior notice to any Loan Party and/or (b) demand payment in full of all or any portion of the Obligations (whether or not payable on demand prior to such Event of Default), together with the Early Payment/Termination Premium in the amount specified in Section 3.2(e) and/or (c) take any and all other and further actions and avail itself of any and all rights and remedies available to Agent under this Agreement, any other Loan Document, under law or in equity. Notwithstanding the foregoing sentence, upon the occurrence of any Event of Default described in Section 11.1(g) or Section 11.1(h), without notice, demand or other action by Agent all of the Obligations (including the Early Payment/Termination Premium in the amount specified in Section 3.2(e)) shall immediately become due and payable whether or not payable on demand prior to such Event of Default.

**11.3. Remedies with Respect to Collateral**. Without limiting any rights or remedies Agent or any Lender may have pursuant to this Agreement, the other Loan Documents, under applicable law or otherwise, upon the occurrence and during the continuation of an Event of Default:

(a) **Any and All Remedies.** Agent may take any and all actions and avail itself of any and all rights and remedies available to Agent under this Agreement, any other Loan Document, under law or in equity, and the rights and remedies herein and therein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable law or otherwise.

(b) **Collections; Modifications of Terms.** Agent may, but shall be under no obligation to: (i) notify all appropriate parties that the Collateral, or any part thereof, has been assigned to, or is subject to a security interest in favor of, Agent; (ii) demand, sue for, collect and give receipts for and take all necessary or desirable steps to collect any Collateral or Proceeds in its or any Loan Party Obligor's name, and apply any such collections against the Obligations as Agent may elect; (iii) take control of any Collateral and any cash and non-cash Proceeds of any Collateral; (iv) enforce, compromise, extend, renew settle or discharge any rights or benefits of each Loan Party Obligor with respect to or in and to any Collateral, or deal with the Collateral as Agent may deem advisable; and (v) make any compromises, exchanges, substitutions or surrenders of Collateral Agent deems necessary or proper in its reasonable discretion, including extending the time of payment, permitting payment in installments, or otherwise modifying the terms or rights relating to any of the Collateral, all of which may be effected without notice to, consent of, or any other action of any Loan Party and without otherwise discharging or affecting the Obligations, the Collateral or the security interests granted to Agent under this Agreement or any other Loan Document.

(c) **Insurance.** Agent may file proofs of loss and claim with respect to any of the Collateral with the appropriate insurer and may endorse in its own and each Loan Party Obligor's name any checks or drafts constituting Proceeds of insurance. Any Proceeds of insurance received by Agent may be applied by Agent against payment of all or any portion of the Obligations as Agent may elect in its reasonable discretion.

(d) **Possession and Assembly of Collateral.** Agent may take possession of the Collateral. Upon Agent's request, each Loan Party Obligor shall assemble the Collateral and make it available to Agent at one or more places designated by Agent.

(e) **Set-off.** Agent may and, without any notice to, consent of or any other action by any Loan Party (such notice, consent or other action being expressly waived), set-off or apply (i) any and all deposits (general or special, time or demand, provisional or final) at any time held by or for the account of Agent or any Affiliate of Agent and (ii) any Indebtedness at any time owing by Agent or any Affiliate of Agent or any Participant in the Loans to or for the credit or the account of any Loan Party Obligor to the repayment of the Obligations, irrespective of whether any demand for payment of the Obligations has been made.

(f) **Disposition of Collateral.**

(i) ***Sale, Lease, etc. of Collateral.*** Agent may, without demand, advertising or notice, all of which each Loan Party Obligor hereby waives (except as the same may be required by the UCC, PPSA, or other applicable law and is not waivable under the UCC, PPSA or such other applicable law), at any time or times in one or more public or private sales or other dispositions, for cash, on credit or otherwise, at such prices and upon such terms as determined by Agent (provided such price and terms are commercially reasonable within the meaning of the UCC or PPSA, as applicable, to the extent such sale or other disposition is subject to the UCC or PPSA requirements that such sale or other disposition must be commercially reasonable), (A) sell, lease, license or otherwise dispose of any and all Collateral and/or (B) deliver and grant options to a third party to purchase, lease, license or otherwise dispose of any and all Collateral. Agent may sell, lease, license or otherwise dispose of any Collateral in its then-present condition or following any preparation or processing deemed necessary by Agent in its reasonable discretion. Agent may be the purchaser at any such public or private sale or other disposition of Collateral, and in such case, Agent may make payment of all or any portion of the purchase price therefor by the application of all or any portion of the Obligations due to Agent to the purchase price payable in connection with such sale or disposition. Agent may, if it deems it reasonable, postpone or adjourn any sale or other disposition of any Collateral from time to time by an announcement at the time and place of the sale or disposition to be so postponed or adjourned without being required to give a new notice of sale or disposition; ***provided***, that Agent shall provide the applicable Loan Party Obligor with written notice of the time and place of such postponed or adjourned sale or disposition. Each Loan Party Obligor hereby acknowledges and agrees that Agent's compliance with any requirements of applicable law in connection with a sale, lease, license or other disposition of Collateral will not be considered to adversely affect the commercial reasonableness of any sale, lease, license or other disposition of such Collateral.

(ii) ***Deficiency.*** Each Loan Party Obligor shall remain liable for all amounts of the Obligations remaining unpaid as a result of any deficiency of the Proceeds of the sale, lease, license or other disposition of Collateral after such Proceeds are applied to the Obligations as provided in this Agreement.

(iii) ***Warranties; Sales on Credit.*** Agent may sell, lease, license or otherwise dispose of the Collateral without giving any warranties and may specifically disclaim any and all warranties, including but not limited to warranties of title, possession, merchantability and fitness. Each Loan Party Obligor hereby acknowledges and agrees that Agent's disclaimer of any and all warranties in connection with a sale, lease, license or other disposition of Collateral will not be considered to adversely affect the commercial reasonableness of any such disposition of the Collateral. If Agent sells, leases, licenses or otherwise disposes of any of the Collateral on credit, Borrowers will be credited only with payments actually made in cash by the recipient of such Collateral and received by Agent and applied to the Obligations. If any Person fails to pay for Collateral acquired pursuant this Section 11.3(f) on credit, Agent may re-offer the Collateral for sale, lease, license or other disposition.

(g) **Investment Property; Voting and Other Rights; Irrevocable Proxy.**

(i) All rights of each Loan Party Obligor to exercise any of the voting and other consensual rights which it would otherwise be entitled to exercise in accordance with the terms hereof with respect to any Investment Property, and to receive any dividends, payments, and other distributions which it would otherwise be authorized to receive and retain in accordance with the terms hereof with respect to any Investment Property, shall immediately, at the election of Control Agent (without requiring any notice) cease, and all such rights shall thereupon become vested solely in Control Agent, and Control Agent (personally or through an agent) shall thereupon be solely authorized and empowered, without notice, to (A) transfer and register in its name, or in the name of its nominee, the whole or any part of the Investment Property, it being acknowledged by each Loan Party Obligor that any such transfer and registration may be effected by Control Agent through its irrevocable appointment as attorney-in-fact pursuant to Section 11.3(g)(ii) and Section 6.4, (B) exchange certificates or instruments representing or evidencing Investment Property for certificates or instruments of smaller or larger denominations, (C) exercise the voting and all other rights as a holder with respect to all or any portion of the Investment Property (including all economic rights, all control rights, authority and powers, and all status rights of each Loan Party Obligor as a member or as a shareholder (as applicable) of the Issuer), (D) collect and receive all dividends and other payments and distributions made thereon, (E) notify the parties obligated on any Investment Property to make payment to Control Agent of any amounts due or to become due thereunder, (F) endorse instruments in the name of each Loan Party Obligor to allow collection of any Investment Property, (G) enforce collection of any of the Investment Property by suit or otherwise, and surrender, release, or exchange all or any part thereof, or compromise or renew for any period (whether or not longer than the original period) any liabilities of any nature of any Person with respect thereto, (H) consummate any sales of Investment Property or exercise any other rights as set forth in Section 11.3(f), (I) otherwise act with respect to the Investment Property as though Control Agent was the outright owner thereof and (J) exercise any other rights or remedies Control Agent may have under the UCC, PPSA, other applicable law or otherwise.

(ii) EACH LOAN PARTY OBLIGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS CONTROL AGENT AS ITS PROXY AND ATTORNEY-IN- FACT FOR SUCH LOAN PARTY OBLIGOR WITH RESPECT TO ALL OF EACH SUCH LOAN PARTY OBLIGOR'S INVESTMENT PROPERTY WITH THE RIGHT, DURING THE CONTINUANCE OF AN EVENT OF DEFAULT, WITHOUT NOTICE, TO TAKE ANY OF THE FOLLOWING ACTIONS: (A) TRANSFER AND REGISTER IN AGENT'S NAME, OR IN THE NAME OF ITS NOMINEE, THE WHOLE OR ANY PART OF THE INVESTMENT PROPERTY, (B) VOTE THE PLEDGED EQUITY, WITH FULL POWER OF SUBSTITUTION TO DO SO, (C) RECEIVE AND COLLECT ANY DIVIDEND OR ANY OTHER PAYMENT OR DISTRIBUTION IN RESPECT OF, OR IN EXCHANGE FOR, THE INVESTMENT PROPERTY OR ANY PORTION THEREOF, TO GIVE FULL DISCHARGE FOR THE SAME AND TO INDORSE ANY INSTRUMENT MADE PAYABLE TO ANY LOAN PARTY OBLIGOR FOR THE SAME, (D) EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES, AND REMEDIES (INCLUDING ALL ECONOMIC RIGHTS, ALL CONTROL RIGHTS, AUTHORITY AND POWERS, AND ALL STATUS RIGHTS OF EACH LOAN PARTY OBLIGOR AS A MEMBER OR AS A SHAREHOLDER (AS APPLICABLE) OF THE ISSUER) TO WHICH A HOLDER OF THE PLEDGED COLLATERAL WOULD BE ENTITLED (INCLUDING, WITH RESPECT TO THE PLEDGED EQUITY, GIVING OR WITHHOLDING WRITTEN CONSENTS OF MEMBERS OR SHAREHOLDERS, CALLING SPECIAL MEETINGS OF MEMBERS OR SHAREHOLDERS, AND VOTING AT SUCH MEETINGS), AND (E) TAKE ANY ACTION AND TO EXECUTE ANY INSTRUMENT WHICH AGENT MAY DEEM NECESSARY OR ADVISABLE TO ACCOMPLISH THE PURPOSES OF THIS AGREEMENT. THE APPOINTMENT OF CONTROL AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE VALID AND IRREVOCABLE UNTIL (x) ALL OF THE OBLIGATIONS HAVE BEEN INDEFEASIBLY PAID IN FULL IN CASH IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, (y) CONTROL AGENT AND THE LENDERS HAVE NO FURTHER OBLIGATIONS UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, AND (z) THE COMMITMENTS UNDER THIS AGREEMENT HAVE EXPIRED OR HAVE BEEN TERMINATED (IT BEING UNDERSTOOD AND AGREED THAT SUCH OBLIGATIONS WILL BE AUTOMATICALLY REINSTATED IF AT ANY TIME PAYMENT, IN WHOLE OR IN PART, OF ANY OF THE OBLIGATIONS IS RESCINDED OR MUST OTHERWISE BE RESTORED OR RETURNED BY CONTROL AGENT OR ANY LENDER FOR ANY REASON WHATSOEVER, INCLUDING AS A PREFERENCE, FRAUDULENT CONVEYANCE, OR OTHERWISE UNDER ANY BANKRUPTCY, INSOLVENCY, OR SIMILAR LAW, ALL AS THOUGH SUCH PAYMENT HAD NOT BEEN MADE; IT BEING FURTHER UNDERSTOOD THAT IN THE EVENT PAYMENT OF ALL OR ANY PART OF THE OBLIGATIONS IS RESCINDED OR MUST BE RESTORED OR RETURNED, ALL REASONABLE OUT-OF-POCKET COSTS AND EXPENSES (INCLUDING ALL REASONABLE INTERNAL AND EXTERNAL ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY CONTROL AGENT AND THE LENDERS IN DEFENDING AND ENFORCING SUCH REINSTATEMENT SHALL HEREBY BE DEEMED TO BE INCLUDED AS A PART OF THE OBLIGATIONS). SUCH APPOINTMENT OF CONTROL AGENT AS PROXY AND AS ATTORNEY-IN-FACT SHALL BE VALID AND IRREVOCABLE AS PROVIDED HEREIN NOTWITHSTANDING ANY LIMITATIONS TO THE CONTRARY SET FORTH IN ANY GOVERNING DOCUMENTS OF ANY LOAN PARTY OBLIGOR, ANY ISSUER, OR OTHERWISE.

(iii) In order to further effect the foregoing transfer of rights in favor of Control Agent, during the continuance of an Event of Default, each Loan Party Obligor hereby authorizes and instructs each Issuer of Investment Property pledged by such Loan Party Obligor to comply with any instruction received by such Issuer from Control Agent without any other or further instruction from such Loan Party Obligor, and each Loan Party Obligor acknowledges and agrees that each Issuer shall be fully protected in so complying, and to pay any dividends, distributions, or other payments with respect to any of the Investment Property directly to Control Agent.

(iv) Upon exercise of the proxy set forth herein, all prior proxies given by any Loan Party Obligor with respect to any of the Pledged Equity or other Investment Property, other than to Control Agent, are hereby revoked, and no subsequent proxies, other than to Control Agent will be given with respect to any of the Pledged Equity or any of the other Investment Property unless Control Agent otherwise subsequently agrees in writing. Control Agent, as proxy, will be empowered and may exercise the irrevocable proxy to vote the Pledged Equity and the other Investment Property at any and all times during the existence of an Event of Default, including, at any meeting of shareholders or members, as the case may be, however called, and at any adjournment thereof, or in any action by written consent, and may waive any notice otherwise required in connection therewith. To the fullest extent permitted by applicable law, Control Agent shall have no agency, fiduciary or other implied duties to any Loan Party Obligor, any Issuer, any Loan Party or any other Person when acting in its capacity as such proxy or attorney-in-fact. Each Loan Party Obligor hereby waives and releases any claims that it may otherwise have against Control Agent with respect to any breach, or alleged breach, of any such agency, fiduciary or other duty.

(v) Any transfer to Control Agent or its nominee, or registration in the name of Agent or its nominee, of the whole or any part of the Investment Property shall be made solely for purposes of effectuating voting or other consensual rights with respect to the Investment Property in accordance with the terms of this Agreement and is not intended to effectuate any transfer of ownership of any of the Investment Property. Notwithstanding the delivery by Control Agent of any instruction to any Issuer or any exercise by Control Agent of an irrevocable proxy or otherwise, Control Agent shall not be deemed the owner of, or assume any obligations or any liabilities whatsoever of the owner or holder of, any Investment Property unless and until Agent expressly accepts such obligations in a duly authorized and executed writing and agrees in writing to become bound by the applicable Governing Documents or otherwise becomes the owner thereof under applicable law (including through a sale as described in Section 11.3(f)). The execution and delivery of this Agreement shall not subject Control Agent to, or transfer or pass to Control Agent, or in any way affect or modify, the liability of any Loan Party Obligor under the Governing Documents of any Issuer or any related agreements, documents, or instruments or otherwise. In no event shall the execution and delivery of this Agreement by Control Agent, or the exercise by Control Agent of any rights hereunder or assigned hereby, constitute an assumption of any liability or obligation whatsoever of any Loan Party Obligor to, under, or in connection with any of the Governing Documents of any Issuer or any related agreements, documents, or instruments or otherwise.

(vi) Compliance with the Securities Act as now in effect or as hereafter amended, or any similar statute hereafter adopted with similar purpose or effect, as well as any applicable "Blue Sky" or other state securities laws, if applicable to the Collateral or the portion thereof being sold, may require strict limitations as to the manner in which the Control Agent or any subsequent transferee may dispose of the Collateral. With respect to any disposition as to which the Securities Act or analogous state securities laws is applicable, each Loan Party Obligor hereby waives any objection to sale in a compliant manner, and agrees that the Control Agent has no obligation to obtain the maximum possible price for the Collateral so long as the Agent proceeds in a commercially reasonable manner. Without limiting the generality of the foregoing, each Loan Party Obligor agrees that in conducting a disposition of the Collateral as to which the Securities Act or analogous state securities laws applies, Control Agent may seek to sell the Collateral by private placement, and may restrict bidders and prospective purchasers to those who are willing to represent that they are purchasing for investment only and not for distribution and who otherwise satisfy qualifications designed to ensure compliance with the Securities Act and analogous state securities laws and those that may be established in the Issuer's Governing Documents. Each Loan Party Obligor acknowledges that in order to protect Control Agent's interest, it may be necessary to sell the Collateral at a price less than the maximum price attainable if a sale were delayed or were made in another manner, including a public offering under the Securities Act. In order to address these potential compliance requirements, Control Agent may solicit offers to purchase the Collateral from a limited number of bidders reasonably believed by Control Agent to be institutional investors or accredited investors. If Agent solicits offers in a commercially reasonable manner, then acceptance by Control Agent of one or more of the offers shall be deemed to be a commercially reasonable method of disposition of the Collateral and Control Agent will not be responsible or liable for selling all or any portion of the Collateral at a price that Control Agent deems in good faith to be reasonable. Control Agent is under no obligation to delay a disposition of any portion of the Collateral that are securities under the Securities Act or applicable "Blue Sky" or other state securities law for the period of time necessary to permit any Loan Party Obligor or the Issuer to register the securities for public sale under the Securities Act or under applicable "Blue Sky" or other state securities laws, even if a Loan Party Obligor or the Issuer agrees to do so. In addition, to the extent not prohibited by applicable law, each Loan Party Obligor waives any right to prior notice (except to the extent expressly provided in this Agreement) or judicial hearing in connection with the taking possession or the disposition of any of the Collateral, including any right which Loan Party Obligor otherwise would have.

(vii) To the extent permitted under applicable law, Control Agent is not required to conduct any foreclosure sale of the Investment Property or any portion thereof.

(viii) Control Agent, at its option, may obtain the appointment of a receiver to take possession of the Investment Property and, at the option of Control Agent, a receiver may be empowered (i) to collect, receive and enforce all distributions, (ii) to exercise the rights of Control Agent as provided in this Agreement, (iii) to collect all other amounts owed to any Loan Party Obligor in respect of the Investment Property as and when due to any Loan Party Obligor, (iv) to otherwise collect, sell or dispose of the Investment Property, (v) to exercise all rights in and under the Investment Property; and (vi) to turn over all net proceeds to Control Agent. Each Loan Party Obligor irrevocably and unconditionally agrees that a receiver may be appointed by a court to take the actions listed above without regard to the adequacy of the security for the Obligations, and the actions of the receiver may be taken in the name of the receiver, any Loan Party Obligor or Control Agent.

(ix) Control Agent may elect to conduct a sale of an economic interest in any Investment Property constituting limited liability company interests that does not result in the purchaser being admitted as a substitute limited liability company member in the Issuer, and that any sale or dispositions made in good faith will be considered commercially reasonable, notwithstanding the possibility that a substantially higher price might be realized if the purchaser were able to be admitted as a substitute limited liability company member rather than the holder of only an economic interest in the Issuer.

(x) Control Agent may disclose to prospective purchasers all of the information relating to the Investment Property (and the applicable Issuer) that is in the Agent's possession or otherwise available to the Control Agent.

(xi) Each Loan Party Obligor hereby authorizes and instructs their respective Issuer to comply with any instruction received by it from Control Agent in writing that (i) states that an Event of Default has occurred and is continuing and (ii) is otherwise in accordance with the terms of the provisions of the this Agreement, the Loan documents or Term Loan Documents as to Investment Property, without any other or further instructions from the respective Loan Party Obligor, and such Loan Party Obligor agrees that Issuer be fully protected in so complying.

(h) **Election of Remedies.** Agent shall have the right in Agent's sole discretion to determine which rights, security, Liens or remedies Agent may at any time pursue, foreclose upon, relinquish, subordinate, modify or take any other action with respect to, without in any way impairing, modifying or affecting any of Agent's other rights, security, Liens or remedies with respect to any Collateral or any of Agent's rights or remedies under this Agreement or any other Loan Document.

(i) **Agent's Obligations.** Each Loan Party Obligor agrees that Agent shall not have any obligation to preserve rights to any Collateral against prior parties or to marshal any Collateral of any kind for the benefit of any other creditor of any Loan Party Obligor or any other Person. Agent shall not be responsible to any Loan Party Obligor or any other Person for loss or damage resulting from Agent's failure to enforce its Liens or collect any Collateral or Proceeds or any monies due or to become due under the Obligations or any other liability or obligation of any Loan Party Obligor to Agent.

(j) **Waiver of Rights by Loan Party Obligors.** Except as otherwise expressly provided for in this Agreement or by non-waivable applicable law, each Loan Party waives (i) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Loan Party Obligor may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (ii) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing Agent to exercise any of its remedies and (iii) the benefit of all valuation, appraisal, marshaling and exemption laws. If any notice of a proposed sale or other disposition of any part of the Collateral is required under applicable law, each Loan Party Obligor agrees that ten (10) calendar days prior notice of the time and place of any public sale and of the time after which any private sale or other disposition is to be made is commercially reasonable.

## 12. LOAN GUARANTY.

**12.1. Guaranty**. Each Loan Party Obligor hereby agrees that it is jointly and severally liable for, and absolutely and unconditionally guaranties to Agent, for the ratable benefit of the Lenders, the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, all of the Obligations and all costs and expenses, including all court costs and attorneys' and paralegals' fees (including internal and external counsel and paralegals) and expenses of Agent or any Lender in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, any Borrower, any Loan Party Obligor or any Other Obligor of all or any part of the Obligations (and such costs and expenses paid or incurred shall be deemed to be included in the Obligations). Each Loan Party Obligor further agrees that the Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guaranty notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any branch or Affiliate of Agent that extended any portion of the Obligations.

**12.2. Guaranty of Payment**. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Party Obligor waives any right to require Agent to sue or otherwise take action against any Borrower, any other Loan Party Obligor, any Other Obligor, or any other Person obligated for all or any part of the Obligations, or otherwise to enforce its payment against any Collateral securing all or any part of the Obligations.

**12.3. No Discharge or Diminishment of Loan Guaranty**.

(a) Except as otherwise expressly provided for herein, the obligations of each Loan Party Obligor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of all of the Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of any Borrower or any Obligor; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Borrower or any Obligor or their respective assets or any resulting release or discharge of any obligation of any Borrower or any Obligor; or (iv) the existence of any claim, setoff or other rights which any Loan Party Obligor may have at any time against any Borrower, any Obligor, Agent, or any other Person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Loan Party Obligor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Borrower or any Obligor of the Obligations or any part thereof.

(c) Further, the obligations of any Loan Party Obligor hereunder shall not be discharged or impaired or otherwise affected by: (i) the failure of Agent to assert any claim or demand or to enforce any remedy with respect to all or any part of the Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Obligations; (iii) any release, non-perfection or invalidity of any indirect or direct security for all or any part of the Obligations or all or any part of any obligations of any Obligor; (iv) any action or failure to act by Agent with respect to any Collateral; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Party Obligor or that would otherwise operate as a discharge of any Loan Party Obligor as a matter of law or equity (other than the indefeasible payment in full in cash of all of the Obligations).

**12.4. Defenses Waived**. To the fullest extent permitted by applicable law, each Loan Party Obligor hereby waives any defense based on or arising out of any defense of any Loan Party Obligor or the unenforceability of all or any part of the Obligations from any cause, or the cessation from any cause of the liability of any Loan Party Obligor, other than the indefeasible payment in full in cash of all of the Obligations. Without limiting the generality of the foregoing, each Loan Party Obligor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Borrower, any Obligor, or any other Person. Each Loan Party Obligor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any Collateral, compromise or adjust any part of the Obligations, make any other accommodation with any Borrower or any Obligor or exercise any other right or remedy available to it against any Borrower or any Obligor, without affecting or impairing in any way the liability of any Loan Party Obligor under this Loan Guaranty except to the extent the Obligations have been fully and indefeasibly paid in cash. To the fullest extent permitted by applicable law, each Loan Party Obligor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Party Obligor against any Borrower or any Obligor or any security.

**12.5. Rights of Subrogation**. No Loan Party Obligor will assert any right, claim or cause of action, including a claim of subrogation, contribution or indemnification that it has against any Borrower or any Obligor, or any Collateral, until the Termination Date.

**12.6. Reinstatement; Stay of Acceleration**. If at any time any payment of any portion of the Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or any other Person, or otherwise, each Loan Party Obligor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not Agent is in possession of this Loan Guaranty. If acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Obligations shall nonetheless be payable by the Loan Party Obligors forthwith on demand by Agent. This Section 12.6 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**12.7. Information**. Each Loan Party Obligor assumes all responsibility for being and keeping itself informed of each Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that each Loan Party Obligor assumes and incurs under this Loan Guaranty, and agrees that Agent shall not have any duty to advise any Loan Party Obligor of information known to it regarding those circumstances or risks.

**12.8. Termination**. To the maximum extent permitted by law, each Loan Party Obligor hereby waives any right to revoke this Loan Guaranty as to future Obligations. If such a revocation is effective notwithstanding the foregoing waiver, each Loan Party Obligor acknowledges and agrees that (a) no such revocation shall be effective until written notice thereof has been received by Agent, (b) no such revocation shall apply to any Obligations in existence on the date of receipt by Agent of such written notice (including any subsequent continuation, extension, or renewal thereof, or change in the interest rate, payment terms or other terms and conditions thereof), (c) no such revocation shall apply to any Obligations made or created after such date to the extent made or created pursuant to a legally binding commitment of Agent, (d) no payment by any Borrower, any other Loan Party Obligor, or from any other source, prior to the date of Agent's receipt of written notice of such revocation shall reduce the maximum obligation of any Loan Party Obligor hereunder and (e) any payment, by any Borrower or from any source other than a Loan Party Obligor which has made such a revocation, made subsequent to the date of such revocation, shall first be applied to that portion of the Obligations as to which the revocation is effective and which are not, therefore, guarantied hereunder, and to the extent so applied shall not reduce the maximum obligation of any Loan Party Obligor hereunder.

**12.9. Maximum Liability**. The provisions of this Loan Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Loan Party Obligor under this Loan Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Loan Party Obligor's liability under this Loan Guaranty, then, notwithstanding any other provision of this Loan Guaranty to the contrary, the amount of such liability shall, without any further action by the Loan Party Obligors, Agent or any Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Loan Party Obligor's ***"Maximum Liability"***). This Section 12.9 with respect to the Maximum Liability of each Loan Party Obligor is intended solely to preserve the rights of Agent and the Lenders to the maximum extent not subject to avoidance under applicable law, and no Loan Party Obligor or any other Person shall have any right or claim under this Section with respect to such Maximum Liability, except to the extent necessary so that the obligations of any Loan Party Obligor hereunder shall not be rendered voidable under applicable law. Each Loan Party Obligor agrees that the Obligations may at any time and from time to time exceed the Maximum Liability of each Loan Party Obligor without impairing this Loan Guaranty or affecting the rights and remedies of Agent hereunder; ***provided***, that nothing in this sentence shall be construed to increase any Loan Party Obligor's obligations hereunder beyond its Maximum Liability.

**12.10. Contribution**. In the event any Loan Party Obligor shall make any payment or payments under this Loan Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Loan Guaranty (such Loan Party Obligor a ***"Paying Guarantor"***), each other Loan Party Obligor (each a ***"Non-Paying Guarantor"***) shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's ***"Applicable Percentage"*** of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Section 12.10, each Non-Paying Guarantor's ***"Applicable Percentage"*** with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (x) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from any Borrower after the date hereof (whether by loan, capital infusion or by other means) to (y) the aggregate Maximum Liability of all Loan Party Obligors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Loan Party Obligor, the aggregate amount of all monies received by such Loan Party Obligors from any Borrower after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Loan Party Obligor's several liability for the entire amount of the Obligations (up to such Loan Party Obligor's Maximum Liability). Each of the Loan Party Obligors covenants and agrees that its right to receive any contribution under this Loan Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of all of the Obligations. This provision is for the benefit of Agent and the Lenders and the Loan Party Obligors and may be enforced by any one, or more, or all of them, in accordance with the terms hereof.

**12.11. Liability Cumulative**. The liability of each Loan Party Obligor under this Section 12 is in addition to and shall be cumulative with all liabilities of each Loan Party Obligor to Agent and the Lenders under this Agreement and the other Loan Documents to which such Loan Party Obligor is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

**12.12 Miscellaneous**. Each of the Loan Party Obligors hereby acknowledges and affirms that it understands that to the extent the Obligations are secured by Real Property located in California, Loan Party Obligors shall be liable for the full amount of the liability hereunder notwithstanding the foreclosure on such Real Property by trustee sale or any other reason impairing such Guarantor's right to proceed against any Loan Party. In accordance with Section 2856 of the California Civil Code or any similar laws of any other applicable jurisdiction, each of the Loan Party Obligors hereby
waives until such time as the Obligations have been paid in full:

(1) all rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the Loan Party Obligors by reason of Sections 2787 to 2855, inclusive, 2899, and 3433 of the California Civil Code or any similar laws of any other applicable jurisdiction;

(2) all rights and defenses that the Loan Party Obligors may have because the Obligations are secured by Real Property located in California, meaning, among other things, that: (A) Agent and the other Lenders may collect from the Loan Party Obligors without first foreclosing on any real or personal property collateral pledged by any Borrower or any other Grantor, and (B) if Agent, on behalf of the Lenders, forecloses on any Real Property collateral pledged by any Borrower or any other Grantor, (1) the amount of the Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (2) the Agent and Lenders may collect from the Loan Party Obligors even if, by foreclosing on the Real Property collateral, Agent or the other Lenders have destroyed or impaired any right the Loan Party Obligors may have to collect from any other Grantor, it being understood that this is an unconditional and irrevocable waiver of any rights and defenses the Loan Party Obligors may have because the Obligations are secured by Real Property (including, without limitation, any rights or defenses based upon Sections 580a, 580d, or 726 of the California Code of Civil Procedure or any similar laws of any other applicable jurisdiction); and

(3) all rights and defenses arising out of an election of remedies by Agent or the other Lenders, even though that election of remedies, such as a non-judicial foreclosure with respect to security for the Obligations, has destroyed Loan Party Obligors' rights of subrogation and reimbursement against any Grantor by the operation of Section 580d of the California Code of Civil Procedure or any similar laws of any other applicable jurisdiction or otherwise.

The provisions in this Section 12.12 which refer to certain sections of the California Civil Code or the California Code of Civil Procedure are included in this Guaranty solely out of an abundance of caution and shall not be construed to mean that any of the above-referenced provisions of California law are in any way applicable to this Guaranty

**13. PAYMENTS FREE OF TAXES; OBLIGATION TO WITHHOLD; PAYMENTS ON ACCOUNT OF TAXES**.

(a) Any and all payments by or on account of any obligation of the Loan Party Obligors hereunder or under any other Loan Document shall to the extent permitted by applicable laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable laws require the Loan Party Obligors to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such laws as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(b) If any Loan Party Obligor shall be required by applicable law to withhold or deduct any Taxes from any payment, then (i) such Loan Party Obligor shall withhold or make such deductions as are required based upon the information and documentation it has received pursuant to subsection (e) below, (ii) such Loan Party Obligor shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the applicable law and (iii) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Loan Party Obligors shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made. Upon request by Agent or other Recipient, Borrower Representative shall deliver to Agent or such other Recipient, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment of Indemnified Taxes, a copy of any return required by applicable law to report such payment or other evidence of such payment reasonably satisfactory to Agent or such other Recipient, as the case may be.

(c) Without limiting the provisions of subsections (a) and (b) above, the Loan Party Obligors shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(d) Without limiting the provisions of subsections (a) through (c) above, each Loan Party Obligor shall, and does hereby, on a joint and several basis, indemnify Agent, each Lender and each other Recipient (and their respective directors, officers, employees, affiliates and agents) and shall make payment in respect thereof within ten days after demand therefor, for the full amount of any Indemnified Taxes and Other Taxes (including Indemnified Taxes and Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid or incurred by Agent, any Lender or any other Recipient on account of, or in connection with any Loan Document or a breach by a Loan Party Obligor thereof, and any penalties, interest and related expenses and losses arising therefrom or with respect thereto (including the fees, charges and disbursements of any internal or external counsel or other tax advisor for Agent, any Lender or any other Recipient (or their respective directors, officers, employees, affiliates, and agents)), whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to Borrower Representative shall be conclusive absent manifest error. Notwithstanding any provision in this Agreement to the contrary, this Section 13 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

(e) Each Lender shall deliver to Borrower Representative and each Lender and each Participant shall deliver to Agent, at the time or times prescribed by applicable laws, such properly completed and executed documentation prescribed by applicable laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit Borrower Representative or Agent, as the case may be, to determine (x) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (y) if applicable, the required rate of withholding or deduction and (z) such Lender's or Participant's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Recipient by the Loan Party Obligors pursuant to this Agreement or otherwise to establish such Recipient's status for withholding tax purposes in the applicable jurisdiction; ***provided***, that each Recipient shall only be required to deliver such documentation as it may legally provide. Without limiting the generality of the foregoing, if a Borrower is resident for tax purposes in the United States:

(i) each Lender (or Participant) that is a ***"United States person"*** within the meaning of Section 7701(a)(30) of the Code shall deliver to Borrower Representative and Agent (or any Lender granting a participation as applicable) an executed original of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable law or reasonably requested by Borrower Representative or Agent (or Lender granting a participation) as will enable Borrower Representative or Agent (or Lender granting a participation) as the case may be, to determine whether or not such Lender (or Participant) is subject to backup withholding or information reporting requirements under the Code;

(ii) each Lender (or Participant) that is not a ***"United States person"*** within the meaning of Section 7701(a)(30) of the Code (a ***"Non-U.S. Recipient"***) shall deliver to Borrower Representative and Agent (or any Lender granting a participation in case the Non-U.S. Recipient is a Participant) on or prior to the date on which such Non-U.S. Person becomes a party to this Agreement or a Participant (and from time to time thereafter upon the reasonable request of Borrower Representative or Agent but only if such Non-U.S. Recipient is legally entitled to do so), whichever of the following is applicable: (A) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party; (B) executed originals of Internal Revenue Service Form W-8ECI; (C) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation; (D) each Non-U.S. Recipient claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, shall provide (x) a certificate to the effect that such Non-U.S. Recipient is not (1) a ***"bank"*** within the meaning of section 881(c)(3)(A) of the Code, (2) a ***"10 percent shareholder"*** of Borrowers within the meaning of section 881(c)(3)(B) of the Code, or (3) a ***"controlled foreign corporation"*** described in section 881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W-8BEN; and/or (E) executed originals of any other form prescribed by applicable law (including FATCA) as a basis for claiming exemption from or a reduction in United States Federal withholding tax together with such supplementary documentation as may be prescribed by applicable law to permit Borrower Representative or Agent to determine the withholding or deduction required to be made. Each Non-U.S. Recipient shall promptly notify Borrower Representative and Agent (or any Lender granting a participation if the Non-U.S. Recipient is a Participant) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

**14. AGENT**

**14.1. Appointment**. Each of the Lenders hereby irrevocably appoints Agent as its agent and authorizes Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive authority to (a) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with the Loan Documents; (b) execute and deliver as Agent, each Loan Document, including any intercreditor or subordination agreement, and accept delivery of each Loan Document; (c) make Loans, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) act as collateral agent for Lenders for purposes of perfecting and administering Liens under the Loan Documents, and for all other purposes stated therein and execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents; (e) manage, supervise or otherwise deal with Collateral; (f) exclusively receive, apply, and distribute payments and proceeds of the Collateral as provided in the Loan Documents, (g) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents, (h) take any Enforcement Action or otherwise exercise any rights or remedies with respect to any Collateral or under any Loan Documents, applicable law or otherwise, including the determination of eligibility of Accounts and Inventory, the necessity and amount of Reserves and all other determinations and decisions relating to ordinary course administration of the credit facilities contemplated hereunder; and (i) incur and pay such expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents, whether or not any Loan Party is obligated to reimburse Agent or Lenders for such expenses pursuant to the Loan Documents or otherwise. The provisions of this Article are solely for the benefit of Agent and the Lenders, and the Loan Parties shall not have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" as used herein or in any other Loan Documents (or any similar term) with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

**14.2. Rights as a Lender**. The Person serving as Agent hereunder, if it is a Lender, shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Loan Party or any Subsidiary or any Affiliate thereof as if it were not Agent hereunder without notice to or consent of the other Lenders.

**14.3. Duties and Obligations**. Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that Agent is required to exercise as directed in writing by the Required Lenders, and, (c) except as expressly set forth in the Loan Documents, Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any Subsidiary that is communicated to or obtained by the Person serving as Agent or any of its Affiliates in any capacity. Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct as determined by a final nonappealable judgment of a court of competent jurisdiction. Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to Agent by a Borrower or a Lender, and Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the creation, perfection or priority of Liens on the ABL Priority Collateral or the existence of the ABL Priority Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to Agent. Agent shall be under no obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Loan Party.

**14.4. Reliance**. Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Agent may consult with and employ Agent Professionals, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by an Agent Professional (who may be counsel for any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document, unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

**14.5. Actions through Sub-Agents**. Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by Agent. Agent may also perform its duties through employees and other Agent-Related Persons. Agent shall not be responsible for the negligence or misconduct of any sub-agent, employee or Agent Professional that it selects as long as such selection was made without gross negligence or willful misconduct. Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers through their respective Affiliates and other related parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the related parties of Agent and any such sub- agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

**14.6. Resignation**. Subject to the appointment and acceptance of a successor Agent as provided in this paragraph, Agent may resign at any time by notifying the Lenders and Borrower Representative. Upon any such resignation, the Required Lenders shall have the right, in consultation with Borrower Representative, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent. Upon the acceptance of its appointment as Agent hereunder by its successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by Borrowers to a successor Agent shall be the same as those payable to its predecessor, unless otherwise agreed by Borrower Representative and such successor. Notwithstanding the foregoing, in the event no successor Agent shall have been so appointed and shall have accepted such appointment within thirty (30) days after the retiring Agent gives notice of its intent to resign, the retiring Agent may give notice of the effectiveness of its resignation to the Lenders and Borrower Representative, whereupon, on the date of effectiveness of such resignation stated in such notice, (a) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, provided that, solely for purposes of maintaining any security interest granted to the Agent under any Loan Document for the benefit of the Lenders, the retiring Agent shall continue to be vested with such security interest as collateral agent for the benefit of the Lenders and, in the case of any Collateral in the possession of Agent, shall continue to hold such Collateral, in each case until such time as a successor Agent is appointed and accepts such appointment in accordance with this paragraph (it being understood and agreed that the retiring Agent shall have no duly or obligation to take any further action under any Loan Document, including any action required to maintain the perfection of any such security interest), and (b) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, provided that (i) all payments required to be made hereunder or under any other Loan Document to the Agent for the account of any Person other than Agent shall be made directly to such Person and (ii) all notices and other communications required or contemplated to be given or made to Agent shall also directly be given or made to each Lender. Following the effectiveness of the Agent's resignation from its capacity as such, the provisions of this Article, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective related parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent and in respect of the matters referred to in the proviso under clause (a) above.

**14.7. Non-Reliance**.

(a) Each Lender acknowledges and agrees that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrowers and their respective Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender further acknowledges the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon any Agent-Related Person, any arranger of this credit facility or any amendment thereto or any other Lender and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document, and all applicable laws relating to the transactions contemplated hereby, and made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon any Agent-Related Person, any arranger of this credit facility or any amendment thereto or any other Lender and based on such documents and information (which may contain material, non- public information within the meaning of the United States securities laws concerning any Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own credit analysis and decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder , and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges that Agent does not have any duty or responsibility, either initially or on a continuing to provide such Lender with any credit or other information with respect to any Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement.

(b) Each Lender hereby agrees that (i) it has requested a copy of each appraisal, audit or field examination report prepared by or on behalf of Agent; (ii) Agent (A) makes no representation or warranty, express or implied, as to the completeness or accuracy of any such report or any of the information contained therein or any inaccuracy or omission contained in or relating to any such report and (B) shall not be liable for any information contained in any such report; (iii) such reports are not comprehensive audits or examinations, and that any Person performing any field examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel and that Agent undertakes no obligation to update, correct or supplement such reports; (iv) it will keep all such reports confidential and strictly for its internal use, not share any such report with any Loan Party or any other Person except as otherwise permitted pursuant to this Agreement; and (v) without limiting the generality of any other indemnification provision contained in this Agreement, (A) it will hold Agent and any such other Person preparing any such report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any such report in connection with any extension of credit that the indemnifying Lender has made or may make to any Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a Loan or Loans; and (B) it will pay and protect, and indemnify, defend, and hold Agent and any such other Person preparing any such report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including reasonable attorneys' fees of both internal and external counsel) of Agent or any such other Person as the direct or indirect result of any third parties who might obtain all or part of any such report through the indemnifying Lender.

**14.8. Not Partners or Co-Venturers; Agent as Representative of the Secured Parties**.

(a) The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in the case of Agent) authorized to act for, any other Lender. Agent shall have the exclusive right on behalf of the Lenders to enforce the payment of the principal of and interest on any Loan after the date such principal or interest has become due and payable pursuant to the terms of this Agreement.

(b) In its capacity, Agent is a "representative" of the Lenders within the meaning of the term "secured party" as defined in the UCC or a “person who holds a security interest for the benefit” of the Lenders within the meaning of the term “secured party” as defined in the PPSA. Each Lender authorizes Agent to enter into each of the Loan Documents to which it is a party and to take all action contemplated by such documents. Each Lender agrees that no Lender (other than Agent) shall have the right individually to seek to realize upon the security granted by any Loan Document, it being understood and agreed that such rights and remedies may be exercised solely by Agent for the benefit of the Lenders upon the terms of the Loan Documents. In the event that any Collateral is hereafter pledged by any Person as collateral security for the Obligations, Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Lenders any Loan Documents necessary or appropriate to grant and perfect a Lien on such Collateral in favor of Agent on behalf of the Lenders.

(c) Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting Agent’s Liens in assets which can be perfected by possession or control in accordance with Article 8 or Article 9, as applicable, of the UCC or the equivalent provisions of the applicable PPSA. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent’s request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent’s instructions. Agent shall have no obligation whatsoever to any of the Lenders (i) to verify or assure that the Collateral exists or is owned by any Borrower or its Subsidiaries or is cared for, protected, or insured or has been encumbered, (ii) to verify or assure that Agent’s Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, (iii) to verify or assure that any particular items of Collateral meet the eligibility criteria applicable in respect thereof, (iv) to impose, maintain, increase, reduce, implement or eliminate any particular reserve hereunder or to determine whether the amount of any reserve is appropriate or not, or (v) to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein,

**14.9. Credit Bidding**. The Loan Parties and the Lenders hereby irrevocably authorize Agent, based upon the instruction of the Required Lenders, to Credit Bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (and the Loan Parties shall approve Agent as a qualified bidder and such Credit Bid as qualified bid) at any sale thereof conducted by Agent, based upon the instruction of the Required Lenders, under any provisions of the UCC or PPSA, as part of any sale or investor solicitation process conducted by any Loan Party, any interim receiver, receiver, receiver and manager, administrative receiver, trustee, agent or other Person pursuant or under any insolvency laws; provided, however, that (i) the Required Lenders may not direct Agent in any manner that does not treat each of the Lenders equally, without preference or discrimination, in respect of consideration received as a result of the Credit Bid, (ii) the acquisition documents shall be commercially reasonable and contain customary protections for minority holders such as among other things, anti-dilution and tag-along rights, (iii) the exchanged debt or equity securities must be freely transferable, without restriction (subject to applicable securities laws) and (iv) reasonable efforts shall be made to structure the acquisition in a manner that causes the governance documents pertaining thereto to not impose any obligations or liabilities upon the Lenders individually (such as indemnification obligations). Agent, based upon the instruction of the Required Lenders, may accept non-cash consideration, including debt and equity securities issued by any entities used to consummate such Credit Bid or purchase and in connection therewith Agent may reduce the Obligations owed to the Lenders (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) based upon the value of such non-cash consideration. For purposes of the preceding sentence, the term "***Credit Bid***" shall mean, an offer submitted by Agent (on behalf of the Lender group), based upon the instruction of the Required Lenders, to acquire the property of any Loan Party or any portion thereof in exchange for and in full and final satisfaction of all or a portion (as determined by Agent, based upon the instruction of the Required Lenders) of the claims and Obligations under this Agreement and other Loan Documents.

**14.10. Certain Collateral Matters**. The Lenders irrevocably authorize Agent, at its option and in its discretion, (a) to release any Lien granted to or held by Agent under any Loan Document (i) upon termination of the Commitments and payment in full of all Loans and all other obligations of Borrowers hereunder; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder (including the release of any guarantor); or (iii) subject to Section 15.5 if approved, authorized or ratified in writing by the Required Lenders; or (ii) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is permitted by clause (a) of the definition of Permitted Liens (it being understood that Agent may conclusively rely on a certificate from Borrower Representative in determining whether the Indebtedness secured by any such Lien is permitted hereunder). Upon request by Agent at any time, the Lenders will confirm in writing Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 14.10. Agent may, and at the direction of Required Lenders shall, give blockage notices in connection with any Subordinated Debt and each Lender hereby authorizes Agent to give such notices. Each Lender further agrees that it will not act unilaterally to deliver such notices.

**14.11. Restriction on Actions by Lenders**. Each Lender agrees that it shall not, without the express written consent of Agent, and shall, upon the written request of Agent (to the extent it is lawfully entitled to do so), set off against the Obligations, any amounts owing by such Lender to a Loan Party or any deposit accounts of any Loan Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken, any action, including the commencement of any legal or equitable proceedings to foreclose any loan or otherwise enforce any security interest in any of the Collateral or to enforce all or any part of this Agreement or the other Loan Documents. All Enforcement Actions under this Agreement and the other Loan Documents against the Loan Parties or any third party with respect to the Obligations or the Collateral may only be taken by Agent (at the direction of the Required Lenders or as otherwise permitted in this Agreement) or by its agents at the direction of Agent.

**14.12. Expenses**. Agent is authorized and directed to deduct and retain sufficient amounts from payments or proceeds of the Collateral received by Agent to reimburse Agent for such out-of- pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent is not reimbursed for such costs and expenses by a Loan Party, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable share thereof. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including Agent Professional fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

**14.13. Notice of Default or Event of Default**. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent will promptly notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with this Agreement; ***provided***, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

**14.14. Liability of Agent**. None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by any Borrower or any of their respective Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower, or any of their respective Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Borrower or their respective Subsidiaries. **GENERAL PROVISIONS**.

**15.1. Notices**.

(a) **Notice by Approved Electronic Communications**. Agent and each of its Affiliates is authorized to transmit, post or otherwise make or communicate, in its sole discretion (but shall not be required to do so), by Approved Electronic Communications in connection with this Agreement or any other Loan Document and the transactions contemplated therein. Agent is hereby authorized to establish procedures to provide access to and to make available or deliver, or to accept, notices, documents and similar items by posting to ABLSoft. All uses of ABLSoft and other Approved Electronic Communications shall be governed by and subject to, in addition to the terms of this Agreement, the separate terms, conditions and privacy policy posted or referenced in such system (or such terms, conditions and privacy policy as may be updated from time to time, including on such system) and any related contractual obligations executed by Agent and Loan Parties in connection with the use of such system. Each of the Loan Parties, the Lenders and Agent hereby acknowledges and agrees that the use of ABLSoft and other Approved Electronic Communications is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each indicates it assumes and accepts such risks by hereby authorizing Agent and each of its Affiliates to transmit Approved Electronic Communications. ABLSoft and all Approved Electronic Communications shall be provided ***"as is"*** and ***"as available"***. None of Agent or any of its Affiliates or related persons warrants the accuracy, adequacy or completeness of ABLSoft or any other electronic platform or electronic transmission and disclaims all liability for errors or omissions therein. No warranty of any kind is made by Agent or any of its Affiliates or related persons in connection with ABLSoft or any other electronic platform or electronic transmission, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects. Each Borrower and each other Loan Party executing this Agreement agrees that Agent has no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with ABLSoft, any Approved Electronic Communication or otherwise required for ABLSoft or any Approved Electronic Communication. Prior to the Closing Date, Borrower Representative shall deliver to Agent a complete and executed Client User Form regarding Borrowers' use of ABLSoft in the form of Exhibit C annexed hereto. No Approved Electronic Communications shall be denied legal effect merely because it is made electronically. Approved Electronic Communications that are not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to, or logically associating with such Approved Electronic Communication, an E-Signature, upon which Agent and the Loan Parties may rely and assume the authenticity thereof. Each Approved Electronic Communication containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original. Each E-Signature shall be deemed sufficient to satisfy any requirement for a ***"signature"*** and each Approved Electronic Communication shall be deemed sufficient to satisfy any requirement for a ***"writing"***, in each case including pursuant to this Agreement, any other Loan Document, the UCC, PPSA, the Federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any similar Canadian laws governing the electronic execution and delivery of agreements, documents, and instruments and any substantive or procedural law governing such subject matter. Each party or beneficiary hereto agrees not to contest the validity or enforceability of an Approved Electronic Communication or E-Signature under the provisions of any applicable law requiring certain documents to be in writing or signed; ***provided***, that nothing herein shall limit such party's or beneficiary's right to contest whether an Approved Electronic Communication or E-Signature has been altered after transmission.

(b) **All Other Notices**. All notices, requests, demands and other communications under or in respect of this Agreement or any transactions hereunder, other than those approved for or required to be delivered by Approved Electronic Communications (including via ABLSoft or otherwise pursuant to Section 15.1(a)), shall be in writing and shall be personally delivered or mailed (by prepaid registered or certified mail, return receipt requested), sent by prepaid recognized overnight courier service, or by email to the applicable party at its address or email address indicated below,

If to Agent:

ENCINA BUSINESS CREDIT, LLC, as Agent
123 N Wacker Suite 2400
Chicago, IL 60606
Attention: Thomas Sullivan
Email: tsullivan@encinabc.com

If to Borrower Representative, any Borrower or any other Loan Party:

Hydrofarm, LLC
2249 S. McDowell Boulevard
Petaluma, CA 94954
Attention: Jeff Peterson, CFO Email: jeffp@hydrofarm.com

**with a copy to:**

Perkins Coie LLP
131 S. Dearborn Street Suite 1700
Chicago, IL 60603-5559
Attention: Teri Lindquist
Email**:** tlindquist@perkinscoie.com

or, as to each party, at such other address as shall be designated by such party in a written notice to the other party delivered as aforesaid. All such notices, requests, demands and other communications shall be deemed given (i) when personally delivered, (ii) three Business Days after being deposited in the mails with postage prepaid (by registered or certified mail, return receipt requested), (iii) one Business Day after being delivered to the overnight courier service, if prepaid and sent overnight delivery, addressed as aforesaid and with all charges prepaid or billed to the account of the sender or (iv) when sent by email transmission to an email address designated by such addressee and the sender receives a confirmation of transmission.

**15.2. Severability**. If any provision of this Agreement or any other Loan Document is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed modified only to the extent necessary to render same valid, or not applicable to given circumstances, or excised from this Agreement or such other Loan Document, as the situation may require, and this Agreement and the other Loan Documents shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein or therein, as the case may be.

**15.3. Integration**. This Agreement and the other Loan Documents represent the final, entire and complete agreement between each Loan Party that is a party hereto and thereto and Agent and supersede all prior and contemporaneous negotiations, oral representations and agreements, all of which are merged and integrated into this Agreement. THERE ARE NO ORAL UNDERSTANDINGS, REPRESENTATIONS OR AGREEMENTS BETWEEN THE PARTIES THAT ARE NOT SET FORTH IN THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

**15.4. Waivers**. The failure of Agent and the Lenders at any time or times to require any Loan Party to strictly comply with any of the provisions of this Agreement or any other Loan Documents shall not waive or diminish any right of Agent later to demand and receive strict compliance therewith. Any waiver of any default shall not waive or affect any other default, whether prior or subsequent, and whether or not similar. None of the provisions of this Agreement or any other Loan Document shall be deemed to have been waived by any act or knowledge of Agent or its agents or employees, but only by a specific written waiver signed by an authorized officer of Agent and any necessary Lenders and delivered to Borrowers. Once an Event of Default shall have occurred, it shall be deemed to continue to exist and not be cured or waived unless specifically waived in writing by an authorized officer of Agent and Required Lenders and delivered to Borrowers. Each Loan Party Obligor waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, Instrument, Account, General Intangible, Document, Chattel Paper, Investment Property or guaranty at any time held by Agent on which such Loan Party Obligor is or may in any way be liable, and notice of any action taken by Agent, unless expressly required by this Agreement, and notice of acceptance hereof.

**15.5. Amendments**.

(a) No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that, except to the extent set forth in Section 14.9 hereof, no amendment, modification, waiver or consent shall (i) extend or increase the Commitment of any Lender without the written consent of such Lender, (ii) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby,, (iii) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, without the consent of each Lender directly affected thereby; (iv) amend or modify the definitions of Borrowing Base, Eligible Accounts or Eligible Inventory, or any components thereof (including any advance rates), without the written consent of each Lender; or (v) release any guarantor from its obligations under any Guaranty, other than as part of or in connection with any disposition permitted hereunder, or release or subordinate its liens on all or any substantial part of the Collateral granted under any of the other Loan Documents (except as permitted by Section 14.10), change the definition of Required Lenders, any provision of Section 6.2, any provision of this Section 15.4, the provisions of Section 14.9 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case set forth in this clause (v), the written consent of all Lenders. No provision of Section 14 or other provision of this Agreement affecting Agent in its capacity as such shall be amended, modified or waived without the consent of Agent.

(b) If, in connection with any proposed amendment, modification, waiver or termination requiring the consent of all Lenders, the consent of the Required Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained being referred to as a "***Non-Consenting Lender***"), then, so long as Agent is not a Non- Consenting Lender, Agent and/or a Person or Persons reasonably acceptable to Agent shall have the right to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent and/or such Person or Persons, all of the Loans and Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all such Loans and Commitments held by such Non-Consenting Lenders and all accrued interest, fees, expenses and other amounts then due with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption.

**15.6. Time of Essence**. Time is of the essence in the performance by each Loan Party Obligor of each and every obligation under this Agreement and the other Loan Documents.

**15.7. Expenses, Fee and Costs Reimbursement**. Each Borrower hereby agrees to promptly pay (a) all out of pocket costs and expenses of Agent (including the reasonable out of pocket fees, costs and expenses of internal and external legal counsel to, and appraisers, accountants, consultants and other professionals and advisors retained by or on behalf of, Agent) in connection with (i) all loan proposals and commitments pertaining to the transactions contemplated hereby (whether or not such transactions are consummated), (ii) the examination, review, due diligence investigation, documentation, negotiation, and closing of the transactions contemplated by the Loan Documents (whether or not such transactions are consummated), (iii) the creation, perfection and maintenance of Liens pursuant to the Loan Documents, (iv) the performance or enforcement by Agent of its rights and remedies under the Loan Documents (or determining whether or how to perform or enforce such rights and remedies), (v) the administration of the Loans (including usual and customary fees for wire transfers and other transfers or payments received by Agent on account of any of the Obligations) and Loan Documents, (vi) any amendments, modifications, consents and waivers to and/or under any and all Loan Documents (whether or not such amendments, modifications, consents or waivers are consummated), (vii) any periodic public record searches conducted by or at the request of Agent (including, title investigations and public records searches), pending litigation and tax lien searches and searches of applicable corporate, limited liability company, partnership and related records concerning the continued existence, organization and good standing of certain Persons), (viii) protecting, storing, insuring, handling, maintaining, auditing, examining, valuing or selling any Collateral, (ix) any litigation, dispute, suit or proceeding relating to any Loan Document (other than disputes among Lenders or among Lenders and Agent) and (x) any workout, collection, bankruptcy, insolvency and other enforcement proceedings under any and all of the Loan Documents (it being agreed that (A) such costs and expenses may include the costs and expenses of workout consultants, investment bankers, financial consultants, appraisers, valuation firms and other professionals and advisors retained by or on behalf of Agent (B) each Lender shall also be entitled to reimbursement for all out of pocket costs and expense of the type described in this clause (x), ***provided*** that, to the extent of an actual or reasonably perceived conflict of interest, such reimbursement shall be limited to one additional counsel for the Lenders as a whole), and (b) without limiting the preceding clause (a), all out of pocket costs and expenses of Agent in connection with Agent's reservation of funds in anticipation of the funding of the initial Loans to be made hereunder. Any fees, costs and expenses owing by any Borrower or other Loan Party Obligor hereunder shall be due and payable within three days after written demand therefor.

**15.8. Benefit of Agreement; Assignability**. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of each Borrower, each other Loan Party Obligor party hereto, Agent and each Lender; ***provided***, that neither each Borrower nor any other Loan Party Obligor may assign or transfer any of its rights under this Agreement without the prior written consent of Agent and each Lender, and any prohibited assignment shall be void. No consent by Agent or any Lender to any assignment shall release any Loan Party Obligor from its liability for any of the Obligations. Each Lender shall have the right to assign all or any of its rights and obligations under the Loan Documents to one or more other Persons in accordance with Section 15.9, and each Loan Party Obligor agrees to execute all agreements, instruments, and documents requested by any Lender in connection with such assignment. Notwithstanding any provision of this Agreement or any other Loan Document to the contrary, a Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement and the other Loan Documents to secure any obligations of such Lender, including any pledge or grant to secure obligations to a Federal Reserve Bank.

**15.9. Assignments**.

(a) Any Lender may at any time assign to one or more Persons (any such Person, an "***Assignee***") all or any portion of such Lender's Loans and Commitments, with the prior written consent of Agent and, so long as no Event of Default exists, Borrower Representative (which consents shall not be unreasonably withheld or delayed and shall not be required for an assignment by a Lender to a Lender (other than a Defaulting Lender) or an Affiliate of a Lender (other than an Affiliate of a Defaulting Lender) or an Approved Fund (other than an Approved Fund of a Defaulting Lender)). Except as Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to $5,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender (provided, that an assignment to a Lender, an Affiliate of a Lender or an Approved Fund shall not be subject to the foregoing minimum assignment limitations). The Loan Parties and Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until Agent shall have received and accepted an effective Assignment and Assumption executed, delivered and fully completed by the applicable parties thereto and a processing fee of $3,500. Notwithstanding anything herein to the contrary, no assignment may be made to any equity holder of a Loan Party, any Affiliate of any equity holder of a Loan Party, any Loan Party, any holder of Subordinated Debt of a Loan Party, any holder of any debt that is secured by liens or security interests that have been contractually subordinated to the liens and security interests securing the Obligations, or any Affiliate of any of the foregoing Persons without the prior written consent of Agent, which consent may be withheld in Agent's sole discretion and, in any event, if granted, may be conditioned on such terms and conditions as Agent shall require in its sole discretion, including a limitation on the aggregate amount of Loans and Commitments which may be held by such Person and/or its Affiliates and/or limitations on such Person's and/or its Affiliates' voting and consent rights and/or rights to attend Lender meetings or obtain information provided to other Lenders. Any attempted assignment not made in accordance with this Section 15.10 shall be null and void. Each Borrower shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless Borrower Representative has expressly objected to such assignment within five (5) Business Days after notice thereof.

(b) From and after the date on which the conditions described in Section 15.10(a) above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to the applicable Assignment and Assumption, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to the applicable Assignment and Assumption, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment and Assumption, Borrowers shall execute and deliver to Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a promissory note in the principal amount of the Assignee's Pro Rata Share of the aggregate Revolving Loan Commitment (and, as applicable, a promissory note in the principal amount of the Pro Rata Share of the aggregate Revolving Commitment retained by the assigning Lender). Upon receipt by Agent of such promissory note(s), the assigning Lender shall return to Borrowers any prior promissory note held by it.

(c) Agent shall, as a non-fiduciary agent of Borrowers, maintain a copy of each Assignment and Assumption delivered and accepted by it and register (the "***Register***") for the recordation of names and addresses of the Lenders and the Commitment of each Lender and principal and stated interest of each Loan owing to each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment and Assumption is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register. Each Lender granting a participation shall, as a non-fiduciary agent of the Borrowers, maintain a register containing information similar to that of the Register in a manner such that the loans hereunder are in "registered form" for the purposes of the Code. This Section and Section 19.1.2 shall be construed so that the Loans are at all times maintained in "registered form" for the purpose of the Code and any related regulations (and any successor provisions).

**15.10. Participations**. Anything in this Agreement or any other Loan Document to the contrary notwithstanding, any Lender may, at any time and from time to time, without in any manner affecting or impairing the validity of any Obligations, sell to one or more Persons participating interests in its Loans, commitments or other interests hereunder or under any other Loan Document (any such Person, a ***"Participant"***). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder and under the other Loan Documents shall remain unchanged for all purposes, (b) Borrowers and such Lender shall continue to deal solely and directly with each other in connection with such Lender's rights and obligations hereunder and under the other Loan Documents and (c) all amounts payable by Borrowers shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender; ***provided,*** that a Participant shall be entitled to the benefits of Section 13 as if it were a Lender if Borrower Representative is notified of the Participation and the Participant complies with Section 13. Each Borrower agrees that if amounts outstanding under this Agreement or any other Loan Document are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and the other Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; ***provided***, that such right of set-off shall not be exercised without the prior written consent of such Lender and shall be subject to the obligation of each Participant to share with such Lender its share thereof. Each Borrower also agrees that each Participant shall be entitled to the benefits of Section 15.9 as if it were a Lender. Notwithstanding the granting of any such participating interests, (i) Borrowers shall look solely to the applicable Lender for all purposes of this Agreement, the Loan Documents and the transactions contemplated hereby, (ii) Borrowers shall at all times have the right to rely upon any amendments, waivers or consents signed by the applicable Lender as being binding upon all of the Participants and (iii) all communications in respect of this Agreement and such transactions shall remain solely between Borrowers and the applicable Lender (exclusive of Participants) hereunder. If a Lender grants a participation hereunder, such Lender shall maintain, as a non-fiduciary agent of Borrowers, a register as to the participations granted and transferred under this Section containing the same information specified in Section 15.9 on the Register as if each Participant were a Lender to the extent required to cause the Loans to be in registered form for the purposes of Sections 163(F), 165(J), 871, 881, and 4701 of the Code.

**15.11. Headings; Construction**. Section and subsection headings are used in this Agreement only for convenience and do not affect the meanings of the provisions that they precede.

**15.12. USA PATRIOT Act Notification**. Agent hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act, it may be required to obtain, verify and record certain information and documentation that identifies such Person, which information may include the name and address of each such Person and such other information that will allow Agent to identify such Persons in accordance with the USA PATRIOT Act.

**15.13. Counterparts; Fax/Email Signatures**. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same agreement. This Agreement may be executed by signatures delivered by facsimile or electronic mail, each of which shall be fully binding on the signing party.

**15.14. GOVERNING LAW**. THIS AGREEMENT, ALONG WITH ALL OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED OTHERWISE IN SUCH OTHER LOAN DOCUMENT) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES. FURTHER, THE LAW OF THE STATE OF NEW YORK SHALL APPLY TO ALL DISPUTES OR CONTROVERSIES ARISING OUT OF OR CONNECTED TO OR WITH THIS AGREEMENT AND ALL SUCH OTHER LOAN DOCUMENTS WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

**15.15. CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL; CONSENT TO SERVICE OF PROCESS**. ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS IN THE COUNTY OF COOK OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS OR IN ANY OTHER COURT (IN ANY JURISDICTION) SELECTED BY THE AGENT IN ITS SOLE DISCRETION, AND EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFOREMENTIONED COURTS. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, OR BASED ON 28 U.S.C. § 1404, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING AND ADJUDICATION OF ANY SUCH ACTION, SUIT OR PROCEEDING IN ANY OF THE AFOREMENTIONED COURTS AND AMENDMENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR UNDER ANY AMENDMENT, WAIVER, AMENDMENT, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE OTHER TRANSACTION DOCUMENTS, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON ANY BORROWER OR ANY OTHER LOAN PARTY OBLIGOR AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY CERTIFIED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO BORROWER'S' NOTICE ADDRESS (ON BEHALF OF BORROWERS OR SUCH LOAN PARTY OBLIGOR) SET FORTH IN SECTION 15.1 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE MAIL, OR, AT THE AGENT'S OPTION, BY SERVICE UPON ANY BORROWER OR ANY OTHER LOAN PARTY OBLIGOR IN ANY OTHER MANNER PROVIDED UNDER THE RULES OF ANY SUCH COURTS.

**15.16. Publication**. Each Borrower and each other Loan Party Obligor consents to the publication by Agent of a tombstone, press releases or similar advertising material relating to the financing transactions contemplated by this Agreement, and Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

**15.17. Confidentiality**. Agent and each Lender agree to use commercially reasonable efforts not to disclose Confidential Information to any Person without the prior consent of Borrower Representative; ***provided***, that nothing herein contained shall limit any disclosure of the tax structure of the transactions contemplated hereby, or the disclosure of any information (a) to the extent required by applicable law, statute, rule, regulation or judicial process or in connection with the exercise of any right or remedy under any Loan Document, or as may be required in connection with the examination, audit or similar investigation of Agent or any of its Affiliates, (b) to examiners, auditors, accountants or any regulatory authority, (c) to the officers, partners, managers, directors, employees, agents and advisors (including independent auditors, lawyers and counsel) of Agent and each Lender or any of their respective Affiliates, (d) in connection with any litigation or dispute which relates to this Agreement or any other Loan Document to which Agent or any Lender is a party or is otherwise subject, (e) to a subsidiary or Affiliate of Agent or any Lender, (f) to any assignee or participant (or prospective assignee or participant) which agrees to be bound by this Section 15.17 and (g) to any lender or other funding source of Agent or any Lender (each reference to Agent and Lender in the foregoing clauses shall be deemed to include (i) the actual and prospective assignees and participants referred to in clause (f) and the lenders and other funding sources referred to in clause (g), as applicable for purposes of this Section 15.17), and further ***provided***, that in no event shall Agent or any Lender be obligated or required to return any materials furnished by or on behalf of any Borrower or any other Loan Party or Obligor. The obligations of Agent and Lenders under this Section 15.17 shall supersede and replace the obligations of Agent and Lenders under any confidentiality letter or provision in respect of this financing or any other financing previously signed and delivered by Agent or any Lender to any Borrower or any of its Affiliates.

**15.18. INTERCREDITOR AGREEMENT.**

EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS THE AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY THE AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

THE PROVISIONS OF THIS SECTION 15.19 ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT ITSELF TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NEITHER THE AGENT NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM THE AGENT.

THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE LOAN PARTIES. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**[Signature page follows]**

IN WITNESS WHEREOF, each Borrower, each other Loan Party Obligor party hereto, Agent and each Lender have signed this Agreement as of the date first set forth above.

**Agent:**

**ENCINA BUSINESS CREDIT, LLC**

By: /s/ Tracy Salyers
Name: Tracy Salyers
Its: Authorized Signatory

**Lenders:**

**ENCINA BUSINESS CREDIT SPV, LLC**

By: /s/ Tracy Salyers
Name: Tracy Salyers
Its: Authorized Signatory

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President and Chief Executive Officer

**SUNBLASTER LLC**

By: /s/ Peter Wardenburgs
Name: Peter Wardenburg
Its: President

**SUNBLASTER HOLDINGS ULC**

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Its: Director

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**HYDROFARM CANADA, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

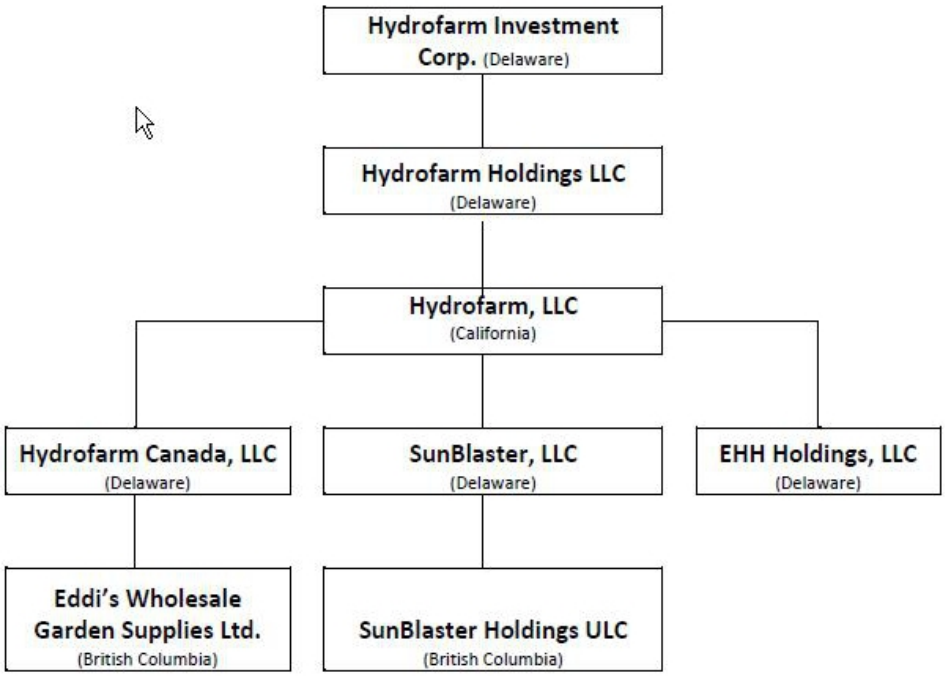
By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: Manager

**HYDROFARM HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: Manager

**EXHIBIT A**

**ORGANIZATIONAL CHART**




** All equity is wholly owned by its respective parent*

**EXHIBIT B**

**INTELLECTUAL PROPERTY**

**EXHIBIT C**

**INSURANCE CERTIFICATES**

**Annex I**
**Description of Certain Terms**

**Annex II**

Agent and Lenders shall be provided with each of the documents set forth below at the following times, in form satisfactory to Agent:

**ANNEX III**

**Revolving Loan Commitments**

| | | |
|---|---|---|
| Encina Business Credit SPV, LLC | $ | 45,000,000 |
| *Total* | *$* | *45,000,000* |

ANNEX V
Disqualified Institutions

**Exhibit A**

**FORM OF NOTICE OF BORROWING**

**[letterhead of Borrower Representative]**

ENCINA BUSINESS CREDIT, LLC, as Agent

_____

_____

Attention: **[**_____**]**

Ladies and Gentlemen:

Please refer to the Loan and Security Agreement dated as of **[**_____**]** (as amended, restated or otherwise modified from time to time, the ***"Loan Agreement"***) among the undersigned, as Borrower Representative, the Borrowers (as defined therein) the Loan Party Obligors (as defined therein) party thereto, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as Agent for the Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Loan Agreement. This notice is given pursuant to Section 2.3 of the Loan Agreement and constitutes a representation by Borrower Representative, for itself and on behalf of each Borrower, that the conditions specified in Section 4 of the Loan Agreement have been satisfied. Without limiting the foregoing, (i) each of the representations and warranties set forth in the Loan Agreement and in the other Loan Documents is true and correct in all respects as of the date hereof (or to the extent any representations or warranties are expressly made solely as of an earlier date, such representations and warranties shall be true and correct as of such earlier date), both before and after giving effect to the Loans requested hereby, and (ii) no Default or Event of Default is in existence, both before and after giving effect to the Loans requested hereby.

Borrower Representative hereby requests a borrowing, on behalf of each Borrower, under the Loan Agreement as follows:

The aggregate amount of the proposed borrowing is $**[**_____**]**. The requested borrowing date for the proposed borrowing (which is a Business Day) is **[**_____**]**, **[**____**]**.

Borrower Representative has caused this Notice of Borrowing to be executed and delivered by its officer thereunto duly authorized on **[**_____**]**.

**[**Borrower Representative**],** as Borrower Representative

By: _____

Title: _____

**Exhibit B**

**CLOSING CHECKLIST**

**Exhibit C**

**CLIENT USER FORM**

**ENCINA BUSINESS CREDIT, LLC**
**ABLSoft – Client User Form**

## Borrowers Names:

## [Borrowers] Borrower Number: _____

## Loan and Security Agreement Date: _____ __, 20__

I, being an authorized signer of the above borrower, as Borrower Representative (the ***"Borrower"***), refer to the above Loan and Security Agreement (as amended, restated or otherwise modified from time to time, the ***"Loan Agreement"***) between the Borrowers named above, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as Agent. This is the Client User Form, used to determined client access to ABLSoft. Terms defined in the Loan Agreement have the same meaning when used in this Client User Form.

Being duly authorized by Borrower Representative, on behalf of Borrowers, I confirm that the following individuals have been authorized by Borrower to have access to ABLSoft:

| First Name | Last Name | Email Address | Phone Number |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**[Borrower Representative], as Borrower Representative**

By _____
Name: _____
Title: _____
Date: _____

**Exhibit D**

**AUTHORIZED ACCOUNTS FORM**

**ENCINA BUSINESS CREDIT, LLC**
**Authorized Accounts Form**

**Borrowers Names**: **[Borrowers]**

**Borrower Number**: _____

**Loan and Security Agreement Date**: _____ __, 20__

I, being an authorized signer of _____, as Borrower Representative, refer to the above Loan and Security Agreement (as amended, restated or otherwise modified from time to time, the ***"Loan Agreement"***) between the Borrower named above, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as agent (***"Agent"***). This is the Authorized Accounts Form, referring to authorized operating bank accounts of Borrower. Terms defined in the Loan Agreement have the same meaning when used in this Authorized Accounts Form.

Being duly authorized by Borrower Representative, I confirm that the following operating bank accounts of Borrowers are the accounts into which the proceeds of any Loan may be paid:

| Bank | Routing Number | Account number | Account name |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**[Borrower Representative], as Borrower Representative**

By: _____
Authorized Signer
Name: _____
Title: _____
Date: _____

**Exhibit E**

**FORM OF ACCOUNT DEBTOR NOTIFICATION**

**[Date]**

**VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED**
**[Account Debtor]**
**[Address]**

**Re: Loan Transaction with ENCINA BUSINESS CREDIT, LLC**

Ladies and Gentlemen:

Please be advised that we have entered into certain financing arrangements (along with any other financing agreements that we may enter into with Agent in the future, the ***"Financing Arrangements"***) with ENCINA BUSINESS CREDIT, LLC (***"Agent"***), as Agent for certain Lenders, pursuant to which we have granted to Agent a security interest in, among other things, any and all Accounts and Chattel Paper (as those terms are defined in the Uniform Commercial Code) owing by you to us, whether now existing or hereafter arising.

You are authorized and directed to respond to any inquiries that Agent may direct to you from time to time pertaining to the validity, amount and other matters relating to such Accounts and Chattel Paper. In the event that Agent requests that payment for any Accounts and/or Chattel Paper be made directly to Agent, you are hereby authorized and directed to comply with such instructions, without further authorization or instruction from us.

This authorization and directive shall be continuing and irrevocable until Agent advises you, in writing, that this authorization is no longer in force.

Very truly yours,

**[BORROWER]**

By: _____
Name: _____
Its: _____

cc: ENCINA BUSINESS CREDIT, LLC as Agent

_____

_____

Attention: _____

**Exhibit F**

**FORM OF COMPLIANCE CERTIFICATE**

**[letterhead of Borrower Representative]**

To: ENCINA BUSINESS CREDIT, LLC as Agent

_____

_____

Attention: _____

Re: Compliance Certificate dated

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of _____ __, 20__ (as amended, restated or otherwise modified from time to time, the ***"Loan Agreement"***) by and among ENCINA BUSINESS CREDIT, LLC (***"Agent"***), the Lenders party thereto, [_____], a [_____] and [_____], a [_____] (each a ***"Borrower"*** and collectively, the *"Borrowers"*) and each of the Loan Party Obligors (as defined therein) party thereto. Capitalized terms used in this Compliance Certificate have the meanings set forth in the Loan Agreement unless specifically defined herein.

Pursuant to Section 7.15 of the Loan Agreement, the undersigned Chief Financial Officer of Borrower Representative hereby certifies on behalf of each Borrower (solely in his capacity as an officer or Borrower Representative and not in his individual capacity) that:

1. The financial statements of Borrowers for the ___ -month period ending_____ attached hereto have been prepared in accordance with GAAP and fairly present the financial condition of Borrowers for the periods and as of the dates specified therein.

2. As of the date hereof, there does not exist any Default or Event of Default.

3. Borrowers are in compliance with the applicable financial covenants contained in Section 9 of the Loan Agreement for the periods covered by this Compliance Certificate. Attached hereto are statements of all relevant facts and computations in reasonable detail sufficient to evidence Borrowers' compliance with such financial covenants, which computations were made in accordance with GAAP.

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this __ day of _____, ____.

**[BORROWER REPRESENTATIVE], as Borrower Representative**

By: _____ Name:
Title: Chief Financial Officer

**Exhibit G**

**FORM OF ASSIGNMENT AND ASSUMPTION**

**Dated [ _____ __, 201_]**

Reference is made to the Loan and Security Agreement dated as of [_____], 201[_] among [_____], a [_____] and [_____], a [_____] (each a ***"Borrower"*** and collectively the "***Borrowers"*** ) , the other Loan Party Obligors party thereto, the lenders party thereto as "Lenders" and Encina Business Credit, LLC, as agent (***"Agent"***) for the Lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement are used herein as therein defined.

**[_____]**, solely in its capacity as a Lender under the Loan Agreement (the ***"Assignor"***), and [_____] (the ***"Assignee"***) agree as follows:

2. The Assignor hereby sells and assigns to the Assignee, without recourse, representation or warranty (except as expressly set forth elsewhere herein), and the Assignee hereby purchases and assumes from the Assignor, on the Effective Date (as defined below), an interest as set forth in Exhibit A attached hereto (the ***"Assigned Interest"***) in and to (i) all of the Assignor's right, title and interest with respect to the Loans set forth in Exhibit A, (ii) all of the Assignor's right, title and interest with respect to the [**Revolving Loan Commitment**] of Assignor as set forth in Exhibit A and (iii) to the extent related thereto, all of the Assignor's rights and obligations, solely as a Lender, under the Loan Agreement and any other Loan Document (including, without limitation, (A) the outstanding principal amount of the Loans made by the Assignor and assigned to Assignee hereunder, and (B) the Assignor's pro rata share of the obligations owing by each Loan Party under the Loan Agreement and the Loan Documents). The Assigned Interest (expressed as a percentage) in the Loans and the [**Revolving Loan Commitment**] is set forth in Exhibit A.

3. The Assignor (i) represents and warrants as of the date hereof that [**its Revolving Loan Commitment, or if its Revolving Loan Commitment shall have been terminated, the outstanding principal amount of its Revolving Loans**], is set forth in Exhibit A (without giving effect to assignments thereof which have not yet become effective); (ii) represents and warrants that it is the legal and beneficial owner of the interest it is assigning hereunder; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by or in connection with the Loan Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other Loan Document, or any other instrument or document furnished pursuant thereto; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under the Loan Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto.

4. The Assignee represents and warrants that it has become a party hereto solely in reliance upon its own independent investigation of the financial and other circumstances surrounding the Loan Parties, the Collateral, the Loans, the Revolving Loan Commitments and all aspects of the transactions evidenced by or referred to in the Loan Documents, or has otherwise satisfied itself thereto, and that it is not relying upon any representation, warranty or statement (except any such representation, warranty or statement expressly set forth in this Assignment and Assumption) of the Assignor in connection with the assignment made under this Assignment and Assumption. The Assignee further acknowledges that the Assignee will, independently and without reliance upon Agent, the Assignor or any other Lender and based upon the Assignee's review of such documents and information as the Assignee deems appropriate at the time, make and continue to make its own credit decisions in entering into this Assignment and Assumption and taking or not taking action under the Loan Documents. The Assignor shall have no duty or responsibility either initially or on a continuing basis to make any such investigation or any such appraisal on behalf of the Assignee or to provide the Assignee with any credit or other information with respect thereto, whether coming into its possession before the making of the initial extension of credit under the Loan Agreement or at any time or times thereafter.

5. The Assignee represents and warrants to the Assignor that it has experience and expertise in the making of loans such as the Loans or with respect to the other types of credit which may be extended under the Loan Agreement; that it has acquired its Assigned Interest for its own account and not with any intention of selling all or any portion of such interest; and that it has received, reviewed and approved copies of all Loan Documents.

6. The Assignor shall not be responsible to the Assignee for the execution, effectiveness, accuracy, completeness, legal effect, genuineness, validity, enforceability, collectibility or sufficiency of any of the Loan Documents or for any representations, warranties, recitals or statements made therein or in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents made or furnished or made available by the Assignor to the Assignee or by or on behalf of the Loan Parties to the Assignor or the Assignee in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of the Loan Parties or any other Person liable for the payment of any Loans or payment of amounts owed in connection with other extensions of credit under the Loan Agreement or the value of the Collateral or any other matter. The Assignor shall not be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or other extensions of credit under the Loan Agreement or as to the existence or possible existence of any Event of Default.

7. Each party to this Assignment and Assumption represents and warrants to the other party to this Assignment and Assumption that it has full power and authority to enter into this Assignment and Assumption and to perform its obligations under this Assignment and Assumption in accordance with the provisions set forth herein, that this Assignment and Assumption has been duly authorized, executed and delivered by such party and that this Assignment and Assumption constitutes a legal, valid and binding obligation of such party, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, moratorium or other similar laws affecting creditors' rights generally and by general equitable principles.

8. Each party to this Assignment and Assumption represents and warrants that the making and performance by it of this Assignment and Assumption do not and will not violate any law or regulation of the jurisdiction of its organization or any other law or regulation applicable to it.

9. Each party to this Assignment and Assumption represents and warrants that all consents, licenses, approvals, authorizations, exemptions, registrations, filings, opinions and declarations from or with any agency, department, administrative authority, statutory corporation or judicial entity necessary for the validity or enforceability of its obligations under this Assignment and Assumption have been obtained, and no governmental authorizations other than any already obtained are required in connection with its execution, delivery and performance of this Assignment and Assumption.

10. The Assignor represents and warrants that it is the legal and beneficial owner of the interest being assigned and that such interest is free and clear of any lien, security interest or other encumbrance.

11. The Assignor makes no representation or warranty and assumes no responsibility with respect to the operations, condition (financial or otherwise), business or assets of the Loan Parties or the performance or observance by the Loan Parties of any of their obligations under the Loan Agreement or any other Loan Document.

12. The Assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto.

13. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement and the other Loan Documents are required to be performed by it as a Lender.

14. The Assignee confirms that it has received all documents and information it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption.

15. The Assignee specifies as its address for notices the office set forth beneath its name on the signature pages hereof.

16. The effective date for this Assignment and Assumption (the ***"Effective Date"***) shall be the date that is the latest of (a) the execution of this Assignment and Assumption, (b) the delivery of this Assignment and Assumption to Agent for acceptance, and (c) the date on which the Assignor has received the payment, in immediately available funds, by the Assignee of $[_____], which amount represents the purchase price for the Assigned Interest.

17. Upon acceptance of this Assignment and Assumption by Agent, as of the Effective Date (i) the Assignee shall, in addition to the rights and obligations under the Loan Agreement and the other Loan Documents held by it immediately prior to the Effective Date, have the rights and obligations under the Loan Agreement and the other Loan Documents that have been assigned to it pursuant to this Assignment and Assumption, and (ii) the Assignor shall, to the extent provided in this Assignment and Assumption, relinquish its rights and be released from its obligations under the Loan Agreement and the other Loan Documents that have been assigned by the Assignor to the Assignee pursuant to this Assignment and Assumption.

18. Upon acceptance of this Assignment and Assumption by Agent, from and after the Effective Date, Agent shall make all payments under the Loan Agreement in respect of the rights assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. If the Assignor receives or collects any payment of interest or fees attributable to the interests assigned to Assignee by this Assignment and Assumption which has accrued after the Effective Date, the Assignor shall distribute to the Assignee such payment. If the Assignee receives or collects any payment of interest or fees which is not attributable to the interests assigned to the Assignee by this Assignment and Assumption or which has accrued on or prior to the Effective Date, the Assignee shall distribute to the Assignor such payment.

19. This Assignment and Assumption shall be delivered and accepted in and shall be deemed to be a contract made under and governed by the internal laws of the State of [**Illinois**] (but giving effect to federal laws applicable to national banks) applicable to contracts made and to be performed entirely within such state, without regard to conflict of laws principles.

**[rest of page intentionally left blank; signature page follows]**

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute this Assignment and Assumption as of the Effective Date.

**[ASSIGNOR]**

By _____
Name _____
Title _____

NOTICE ADDRESS AND PAYMENT
INSTRUCTIONS FOR ASSIGNOR

_____
_____
_____
Telephone No. ( __) - ____ - _____
Telecopy No. (__) - ____ - _____

[**ASSIGNEE**]

By _____
Name _____
Title _____

NOTICE ADDRESS AND PAYMENT
INSTRUCTIONS FOR ASSIGNEE

_____
_____
_____
Telephone No. ( __) - ____ - _____
Telecopy No. (__) - ____ - _____

ACCEPTED this _____ day of _____ , 201_

ENCINA BUSINESS CREDIT, LLC, as Agent

By _____
Name _____
Title _____

Consented to this____ day of _____, 201_

[BORROWER]

By: _____
Name: _____
Title: _____

**EXHIBIT A**

Borrowers: [_____]

Description of Loan Agreement: Loan and Security Agreement, dated as of [_____], 201[_] among Borrowers, the other Loan Party Obligors party thereto, the lenders party thereto as "Lenders" and Encina Business Credit, LLC as agent (*"**Agent**"*) for the Lenders (as amended, restated, supplemented or otherwise modified from time to time).

Assigned Interests:

| **Assignor's Interest Prior to Assignment** | **Assigned Interests** | **Assignor's Remaining Interest After Assignment** | **Assignee's Pro Rata Shares** |
|---|---|---|---|
| Revolving Loans and Revolving Loan Commitments | | | |

Schedule 7.32

**Exhibit 10.21**

**INTERCREDITOR AGREEMENT**

This **INTERCREDITOR AGREEMENT**, dated as of July 11, 2019, is entered into by and between ENCINA BUSINESS CREDIT, LLC, in its capacity as Revolving Loan Agent (as hereinafter defined), and BRIGHTWOOD LOAN SERVICES LLC, a Delaware limited liability company, in its capacity as Term Loan Agent (as hereinafter defined).

**W I T N E S S E T H:**

**WHEREAS,** Hydrofarm LLC, a California limited liability company ("Hydrofarm"), SunBlaster LLC, a Delaware limited liability company ("SunBlaster") Sunblaster Holdings ULC, a British Columbia unlimited liability company ("Sunblaster Canada"), and Eddi's Wholesale Garden Supplies, LTD., a British Columbia company ("Eddi's"), and Hydrofarm Canada, LLC., a Delaware limited liability company ("Hydrofarm Canada"; together with Hydrofarm, SunBlaster, Sunblaster Canada and Eddi's, collectively, the "Borrowers") and Hydrofarm Holdings LLC, a Delaware limited liability company ("Holdings") and EHH Holdings, LLC, a Delaware limited liability company ("EHH"; together with Holdings, collectively, the "Guarantors") are entering into that certain Loan and Security Agreement dated as of July 11, 2019 with Revolving Loan Agent and the financial institutions party thereto from time to time as lenders (as amended, restated or otherwise modified prior to the date hereof, the ("Revolving Loan Agreement"), pursuant to which such lenders intend to make loans and provide other financial accommodations guaranteed by certain Guarantors and secured by substantially all of the assets of the Borrowers and such Guarantors under the Revolving Loan Agreement;

**WHEREAS**, the Term Loan Borrowers (as hereinafter defined) and the Term Loan Guarantors (as hereinafter defined) have previously entered into that certain Credit Agreement dated as of May 12, 2017, as amended, restated or otherwise modified, with Term Loan Agent and the lenders and other parties for whom it is acting as collateral agent as set forth in the Term Loan Agreement (as hereinafter defined) and each other Term Loan Document (as hereinafter defined), pursuant to which such lenders have made term loans to the Term Loan Borrowers which are guaranteed by the Term Loan Guarantors and secured by substantially all of the assets of the Term Loan Borrowers and Term Loan Guarantors;

**WHEREAS**, in connection with the Revolving Loan Agreement and the Term Loan Agreement, Revolving Loan Agent, Term Loan Agent, and the other parties thereto, desire to enter into this Agreement to (i) govern and confirm the relative priority of the security interests of Revolving Loan Agent and Term Loan Agent in the assets and properties of the Grantors (as defined herein), (ii) provide for the orderly allocation among the Revolving Loan Secured Parties and the Term Loan Secured Parties, in accordance with such priorities, of proceeds of such assets and properties upon any foreclosure thereon or other disposition thereof and (iii) address certain related matters;

**NOW, THEREFORE,** in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

**Section 1. Definitions; Interpretation**

1.1. Definitions.

As used in this Agreement, including in the preamble and recitals hereto, the following terms have the meanings specified below:

"Agents" shall mean, collectively, Revolving Loan Agent and Term Loan Agent, and

"Agent" shall mean each of them.

"Agreement" shall mean this Intercreditor Agreement, as the same now exists or may hereafter be amended, amended and restated, modified, supplemented, extended, renewed, restated or replaced from time to time in accordance with the terms hereof.

"Availability" shall have the meaning set forth in the Revolving Loan Agreement for "Excess Availability".

"Bank Product Obligations" shall mean Cash Management Obligations and Hedging Obligations.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, being Title 11 of the United States Code, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented.

"Bankruptcy Law" shall mean the Bankruptcy Code, the BIA, the CCAA and any similar federal, state or foreign law for the relief of debtors.

"BIA" means the Bankruptcy and Insolvency Act (Canada) as such legislation now exists or may from time to time hereafter be amended, modified, recodified, supplemented or replaced, together with all rules, regulations and interpretations thereunder or related thereto.

"Book Value" shall mean (a) as to inventory, balance sheet representation of inventory at lower of cost or market value, which is net of reserves for excess or obsolete inventory and (b) as to accounts, balance sheet representation of amounts due from customers, which is net of allowances for doubtful accounts, trade discounts and volume rebates.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, North Carolina and New York.

"Canadian Borrowers" shall mean, collectively, (a) Eddi's and SunBlaster Canada (b) any other Person organized under the laws of Canada or any province or territory thereof that at any time on or after the date hereof becomes a party to the Revolving Loan Agreement as a borrower thereunder, and (c) their respective successors and assigns to the extent such successor or assign is a Person organized under the laws of Canada or any province or territory thereof, and "Canadian Borrower" shall mean each of them. For the avoidance of doubt, no Person that is not organized under the laws of Canada or any province or territory thereof shall be a Canadian Borrower hereunder.

"Canadian Collateral" shall mean, collectively, all of the property and interests in property, real or personal, tangible or intangible, now owned or hereafter acquired by any Canadian Grantor in or upon which any Revolving Loan Secured Party at any time has a Lien, together with any and all proceeds and products of such property and interests in property. For the avoidance of doubt, Canadian Collateral shall not include any property or interests in property, real or personal, tangible or intangible that is owned or hereafter acquired by any U.S. Grantor (including any Equity Interest of any Canadian Grantor or any other Person that is owned or held by any U.S. Grantor).

"Canadian Grantors" shall mean, collectively, the Canadian Borrowers, Canadian Guarantors and each Subsidiary of any Canadian Borrower or any Canadian Guarantor that shall have granted a Lien on any of its assets to secure any Revolving Loan Debt, together with their respective successors and assigns to the extent such successor or assign is a Person organized under the laws of Canada or any province or territory thereof; sometimes being referred to herein individually as a "Canadian Grantor". For the avoidance of doubt, no Person that is not organized under the laws of Canada or any province or territory thereof shall be a Canadian Grantor hereunder.

"Canadian Guarantors" shall mean any Person organized under the laws of Canada or any province or territory thereof (other than the Canadian Borrowers) that at any time is party to a guarantee in favor of Revolving Loan Agent or the Revolving Loan Secured Parties in respect of any of the Revolving Loan Debt, and their respective successors and assigns to the extent such successor or assign is a Person organized under the laws of Canada or any province or territory thereof, and "Canadian Guarantor" shall mean each of them. For the avoidance of doubt, no Person that is not organized under the laws of Canada or any province or territory thereof shall be a Canadian Guarantor hereunder.

"Cash Equivalents" shall mean (a) marketable obligations issued or unconditionally guaranteed by, and backed by the full faith and credit of, the U.S. government or Canadian government or any agency thereof the obligations of which are backed by the full faith and credit of the U.S. government or Canadian government, as applicable, maturing within twelve (12) calendar months of the date of acquisition; (b) certificates of deposit, guaranteed investment certificates, time deposits and bankers' acceptances maturing within 12 calendar months of the date of acquisition, and overnight bank deposits, in each case which are issued by Bank of America or a commercial bank organized under the laws of the United States or any state or district thereof, or of Canada, in each case rated A-1 (or better) by S&P or P-1 (or better) by Moody's at the time of acquisition, and (unless issued by a Lender) not subject to offset rights; (c) repurchase obligations with a term of not more than 30 days for underlying investments of the types described in clauses (a) and (b) entered into with any bank described in clause (b); (d) commercial paper rated A-1 (or better) by S&P or P-1 (or better) by Moody's, and maturing within nine (9) calendar months of the date of acquisition; and (e) shares of any money market fund that has substantially all of its assets invested continuously in the types of investments referred to above, has net assets of at least $500,000,000 and has the highest rating obtainable from either Moody's or S&P.

"Cash Management Obligations" shall mean with respect to any Person, the obligations of such Person arising out of (a) services relating to operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, lockbox and stop payment services, (b) the acceptance for deposit or the honoring for payment of any check, draft or other item with respect to any such deposit accounts, (c) commercial credit card and merchant card services and (d) any leases or other deposit, disbursement, treasury, banking or cash management services afforded to such Person by any Revolving Loan Secured Party.

"CCAA" means the Companies' Creditors Arrangement Act (Canada) as such legislation now exists or may from time to time hereafter be amended, modified, recodified, supplemented or replaced, together with all rules, regulations and interpretations thereunder or related thereto.

"Collateral" shall mean all of the property and interests in property, real or personal, tangible or intangible, now owned or hereafter acquired by any Grantor in or upon which any Revolving Loan Secured Party or Term Loan Secured Party at any time has a Lien, and including, without limitation, all Proceeds of such property and interests in property.

"Companies" shall mean, collectively, the Revolving Loan Borrowers and Term Loan Borrowers, and "Company" shall mean each of them.

"Control Agreements" shall mean Lockbox Account and Blocked Account control agreements as required by Section 6.1 of the Revolving Loan Agreement.

"Discharge of Revolving Loan Debt" shall mean, subject to Sections 6.2(d), 6.9 and 11.3 hereof:

(a) the payment in full in cash of the principal and interest (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) constituting Revolving Loan Debt;

(b) the payment in full in cash of all other Revolving Loan Debt that is due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case), other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time;

(c) the delivery to Revolving Loan Agent of cash collateral, or at Revolving Loan Agent's option, the delivery to Revolving Loan Agent of a letter of credit payable to Revolving Loan Agent issued by a bank acceptable to Revolving Loan Agent and in form and substance satisfactory to Revolving Loan Agent, in either case in respect of (i) letters of credit, banker's acceptances or similar instruments issued under the Revolving Loan Documents (in an amount equal to one hundred five (105%) percent of the amount of such letters of credit, banker's acceptance or similar instruments), (ii) Bank Product Obligations (or, at the option of the Revolving Loan Secured Party with respect to such Bank Product Obligations, the termination of the applicable Hedging Obligations or Cash Management Obligations and the payment in full in cash of Revolving Loan Debt due and payable in connection with such termination), and (iii) continuing obligations of Revolving Loan Agent and Revolving Loan Lenders under control agreements and other contingent Revolving Loan Debt for which a claim or demand for payment has been made at such time or in respect of matters or circumstances known to a Revolving Loan Secured Party at the time which are reasonably expected to result in any loss, cost, damage or expense (including attorneys' fees and legal expenses) to any Revolving Loan Secured Party for which such Revolving Loan Secured Party is entitled to indemnification by any Grantor pursuant to the Revolving Loan Documents; and

(d) the termination of the commitments of the Revolving Loan Lenders and the financing arrangements provided by Revolving Loan Agent and the Revolving Loan Lenders to Grantors under the Revolving Loan Documents.

"Discharge of Revolving Loan Priority Debt" shall mean, subject to Sections 6.2(d), 6.9 and 11.3 hereof:

(a) the payment in full in cash of the principal and interest (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) constituting Revolving Loan Priority Debt;

(b) the payment in full in cash of all other Revolving Loan Priority Debt that is due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case), other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time;

(c) the delivery to Revolving Loan Agent of cash collateral, or at Revolving Loan Agent's option, the delivery to Revolving Loan Agent of a letter of credit payable to Revolving Loan Agent issued by a bank acceptable to Revolving Loan Agent and in form and substance satisfactory to Revolving Loan Agent, in either case in respect of Revolving Loan Priority Debt consisting of (i) letters of credit, banker's acceptances or similar instruments issued under the Revolving Loan Documents (in an amount equal to one hundred five (105%) percent of the amount of such letters of credit, banker's acceptance or similar instruments), (ii) Bank Product Obligations (or, at the option of the Revolving Loan Secured Party with respect to such Bank Product Obligations, the termination of the applicable Hedging Obligations or Cash Management Obligations and the payment in full in cash of Revolving Loan Priority Debt due and payable in connection with such termination), and (iii) continuing obligations of Revolving Loan Agent and Revolving Loan Lenders under control agreements and other contingent Revolving Loan Priority Debt for which a claim or demand for payment has been made at such time or in respect of matters or circumstances known to a Revolving Loan Secured Party at the time which are reasonably expected to result in any loss, cost, damage or expense (including attorneys' fees and legal expenses) to any Revolving Loan Secured Party for which such Revolving Loan Secured Party is entitled to indemnification by any Grantor pursuant to the Revolving Loan Documents; and

(d) the termination of the commitments of the Revolving Loan Lenders and the financing arrangements provided by Revolving Loan Agent and the Revolving Loan Lenders to Grantors under the Revolving Loan Documents.

"Discharge of Term Loan Debt" shall mean, subject to Sections 6.2, 6.9 and 11.3 hereof:

(a) the payment in full in cash of the principal and interest (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) constituting Term Loan Debt; and

(b) the payment in full in cash of all other Term Loan Debt that is due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case), other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time.

"Discharge of Term Loan Priority Debt" shall mean, subject to Sections 6.2, 6.9 and 11.3 hereof:

(a) the payment in full in cash of the principal and interest (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) constituting Term Loan Priority Debt; and

(b) the payment in full in cash of all other Term Loan Priority Debt that is due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case), other than indemnification obligations for which no claim or demand for payment, whether oral or written, has been made at such time.

"Disposition" shall mean any sale, lease, license, assignment, exchange, transfer or other disposition of Shared Collateral including (a) any casualty or condemnation or expropriation thereof and (b) any vesting or re-vesting of Shared Collateral pursuant to a plan of reorganization or arrangement or a proposal in any Insolvency Proceeding.

"Enforcement Action" shall mean:

(a) the taking of any action to enforce any Lien in respect of the Collateral, including the institution of any foreclosure proceedings or, the noticing of any public or private sale or other disposition pursuant to Article 9 of the UCC, the PPSA or other applicable law, or the taking of any action in an attempt to vacate or obtain relief from a stay or other injunction restricting any other action described in this definition,

(b) the exercise of any right or remedy provided to a secured creditor under the Revolving Loan Documents or the Term Loan Documents (including, in either case, any delivery of any notice to seek to obtain payment directly from any account debtor of any Grantor, or other Person obligated on any Collateral of any Grantor, the taking of any action or the exercise of any right or remedy in respect of the Collateral, or the exercise of any right of setoff or recoupment with respect to obligations owed to any Grantor), under applicable law, at equity, in an Insolvency Proceeding or otherwise, including the acceptance of Collateral in full or partial satisfaction of an obligation,

(c) the disposition by any Secured Party of all or any portion of the Collateral, by private or public sale or any other means;

(d) an Agent's solicitation of bids from third parties to conduct the disposition of any of the Collateral;

(e) an Agent's engagement or retention of sales brokers, marketing agents, investment bankers, auctioneers, or other third parties for the purpose of, marketing or Disposing of any of the Collateral;

(f) the exercise of any rights of set-off or recoupment; and

(g) the exercise of any other enforcement right relating to the Collateral (including the exercise of (i) any rights under bailee waivers, landlord waivers, collateral access agreements or similar agreements or (ii) any voting rights relating to any equity interests composing a portion of the Collateral) whether under the Revolving Loan Documents, the Term Loan Documents, under applicable law of any jurisdiction, in equity, in an Insolvency Proceeding, or otherwise (including the commencement of applicable legal proceedings or other actions with respect to any of the Collateral to facilitate the actions described in the preceding clauses);

provided that notwithstanding the foregoing, an Enforcement Action shall not include (i) so long as the commitments under the Revolving Loan Documents have not been terminated, the collection and application of accounts or other monies deposited from time to time in deposit accounts or securities accounts, in each case, to the extent constituting Revolving Loan Priority Collateral or Canadian Collateral, against the Revolving Loan Debt pursuant to the provisions of the Revolving Loan Documents, in each case, in connection with the exercise of cash dominion in accordance with the terms of the Revolving Loan Documents (including, without limitation, the notification of account debtors, depositary institutions or any other Person to deliver proceeds of Revolving Loan Priority Collateral or Canadian Collateral to the Revolving Loan Agent or any "cash dominion event" or mandatory prepayment event in connection with such cash dominion event under the Revolving Loan Debt), (ii) the acceleration of all or a portion of the Revolving Loan Debt or the Term Loan Debt in accordance with the terms of the Revolving Loan Documents or the Term Loan Documents, as applicable, (iii) the imposition of a default rate of interest in accordance with the terms of the Revolving Loan Documents or the Term Loan Documents, as applicable, or (iv) the filing of a proof of claim or a statement of interest in any Insolvency Proceeding.

"Enforcement Notice" shall mean a written notice delivered by (i) the Revolving Loan Agent, at a time when a Revolving Loan Event of Default has occurred and is continuing, to the Term Loan Agent announcing that the Revolving Agent intends to commence an Enforcement Action against the Revolving Loan Priority Collateral or the Canadian Collateral and specifying the relevant event of default; or (ii) the Term Loan Agent, at a time when a Term Loan Event of Default has occurred and is continuing, to the Revolving Loan Agent announcing that the Term Loan Agent intends to commence an Enforcement Action against the Term Loan Priority Collateral and specifying the relevant event of default.

"Equity Interests" shall mean the interest of any (a) shareholder in a corporation (whether denominated as common or preferred stock), (b) partner in a partnership (whether general, limited, limited liability or joint venture), (c) member in a limited liability company, or (d) other Person having any other form of equity security or ownership interest, in each case, whether voting or non-voting.

"Exigent Circumstance" shall mean an event or circumstance that materially and imminently threatens the ability of Revolving Loan Agent to realize upon all or a material portion of the Revolving Loan Priority Collateral or the ability of Term Loan Agent to realize upon all or a material portion of the Term Loan Priority Collateral, as the case may be, such as, without limitation, fraudulent removal, concealment, destruction (other than to the extent covered by insurance), material waste or abscondment thereof.

"Extraordinary Receipts" shall have the meaning set forth in the Term Loan Agreement.

"Grantors" shall mean, collectively, Companies, Guarantors and each Subsidiary of any Company or any Guarantor that shall have granted a Lien on any of its assets to secure any Revolving Loan Debt or Term Loan Debt, together with their respective successors and assigns; sometimes being referred to herein individually as a "Grantor".

"Guarantors" shall mean, collectively, the Revolving Loan Guarantors and the Term Loan Guarantors, and "Guarantor" shall mean each of them.

"Hedging Obligations" shall mean, with respect to any Person, the obligations of such Person under any agreements with respect of any interest rate, foreign currency and/or commodity exchanges, swaps, caps, collars, floors, forwards, options, or other similar arrangements as such Person may from time to time enter into (including without limitation any "swap agreement" as defined in Section 101(53B)(A) of the Bankruptcy Code) with any one or more of the Revolving Lenders or their affiliates.

"Insolvency Proceeding" shall mean (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor, (b) any other voluntary or involuntary insolvency, reorganization, arrangement, proposal or bankruptcy case or proceeding, or any receivership, liquidation, power of sale, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any of their respective assets, (c) any proceeding seeking the appointment of any trustee, Receiver, monitor, liquidator, custodian or other insolvency official with similar powers with respect to any Grantor or any or all of its assets or properties, (d) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (e) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of any Grantor.

"Junior 507(b) Claims" shall have the meaning set forth in Section 6.4(c) hereof.

"Junior Agent" shall have the meaning set forth in Section 3.2(a) hereof.

"Lien" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance (including, but not limited to, easements, rights of way and the like), lien (statutory or other), security agreement or transfer intended as security, including without limitation, any conditional sale or other title retention agreement, the interest of a lessor under a capital lease or any financing lease having substantially the same economic effect as any of the foregoing.

"Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock company, trust, joint venture, or other entity or any government or any agency or instrumentality or political subdivision thereof.

"PPSA" means the Personal Property Security Act (British Columbia) and the Regulations thereunder, as from time to time in effect, provided, however, if attachment, perfection or priority of any Revolving Loan Agent's Liens on any Canadian Collateral is governed by the personal property security laws of any jurisdiction other than British Columbia, PPSA means those personal property security laws in such other jurisdiction of Canada for the purposes of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"Proceeds" or "proceeds" shall mean all "proceeds" as defined in Article 9 of the UCC or in the PPSA, as applicable, and in any event, shall include, without limitation, whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary and any distribution made in any Insolvency Proceeding to the extent such distribution is based upon the value of Collateral.

"Protective Advances" shall have the meaning set forth in the Revolving Loan Agreement.

"Purchasing Term Loan Secured Parties" shall have the meaning set forth in Section 7.1 hereof.

"Receiver" means a receiver, interim receiver, receiver and manager, liquidator, trustee in bankruptcy or similar Person.

"Recovery" shall have the meaning set forth in Section 6.9 hereof.

"Refinance" or "refinance" shall mean, in respect of any indebtedness, to refinance, replace, refund or repay, or to issue other indebtedness or enter into alternative financing arrangements, in exchange or replacement for, such indebtedness in whole or in part, including by adding or replacing lenders, creditors, agents, borrowers and/or guarantors, and including in each case, but not limited to, after the original instrument giving rise to such indebtedness has been terminated. "Refinanced", "refinanced", "Refinancing" and "refinancing" shall have correlative meanings.

"Retained Interest" has the meaning set forth in Section 7.4(b).

"Revolving Loan Commitments" shall have the meaning set forth in the Revolving Loan Agreement.

"Revolving Loan Agent" shall mean Encina Business Credit, LLC, and its successors and assigns, in its capacity as agent pursuant to the Revolving Loan Documents acting for and on behalf of the other Revolving Loan Secured Parties and any successor or replacement agent.

"Revolving Loan Agreement" shall mean the Loan and Security Agreement, dated as of even date herewith, by and among the Borrowers from time to time party thereto, the Guarantors from time party thereto, Revolving Loan Agent and Revolving Loan Lenders, as the same now exists or may hereafter be amended, amended and restated, modified, supplemented, extended, renewed, restated, refinanced, or replaced in accordance with the terms of this Agreement.

"Revolving Loan Borrowers" shall mean, collectively, (a) Hydrofarm, SunBlaster, Eddi's SunBlaster Canada and Hydrofarm Canada, (b) any other Person that at any time on or after the date hereof becomes a party to the Revolving Loan Agreement as a borrower thereunder, and (c) their respective successors and assigns, and "Revolving Loan Borrower" shall mean each of them.

"Revolving Loan Cash Collateral" shall have the meaning set forth in Section 6.2 hereof.

"Revolving Loan Debt" shall mean all "Obligations" as such term is defined in the Revolving Loan Agreement, including, without limitation, obligations, liabilities and indebtedness of every kind, nature and description owing by any Grantor to any Revolving Loan Secured Party, including principal, interest, Bank Product Obligations, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under any of the Revolving Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Revolving Loan Documents or after the commencement of any case with respect to any Grantor under the Bankruptcy Code or any other Bankruptcy Law or any other Insolvency Proceeding (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts which would accrue and become due but for the commencement of such case or proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured.

"Revolving Loan Default" shall mean any "Default" as defined in the Revolving Loan Agreement.

"Revolving Loan DIP Financing" shall have the meaning set forth in Section 6.2 hereof.

"Revolving Loan Documents" shall mean, collectively, the Revolving Loan Agreement and all agreements, documents and instruments at any time executed and/or delivered by any Grantor or any other Person to, with or in favor of any Revolving Loan Secured Party in connection therewith or related thereto, as all of the foregoing now exist or may hereafter be amended, amended and restated, modified, supplemented, extended, renewed, restated, refinanced, or replaced or restructured (in whole or in part and including any agreements with, to or in favor of any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Revolving Loan Debt), in each case, in accordance with the terms of this Agreement.

"Revolving Loan Event of Default" shall mean any "Event of Default" as defined in the Revolving Loan Agreement.

"Revolving Loan Excess Debt" shall mean any Revolving Loan Debt not constituting Revolving Loan Priority Debt.

"Revolving Loan Guarantors" shall mean, collectively, (a) Holdings and EHH, and (b) any other persons (other than the Revolving Loan Borrowers) that at any time is party to a guarantee in favor of Revolving Loan Agent or the Revolving Loan Secured Parties in respect of any of the Revolving Loan Debt, and their respective successors and assigns, and "Revolving Loan Guarantor" shall mean each of them.

"Revolving Loan Lenders" shall mean, collectively, any Person party to the Revolving Loan Documents as lender (and including any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Revolving Loan Debt or is otherwise party to the Revolving Loan Documents as a lender), and "Revolving Loan Lender" shall mean each of them.

"Revolving Loan Maximum Amount" means, as of any date of determination, the result of (a) (i) $66,000,000 and (ii) interest, fees, indemnities and expenses arising under any Revolving Loan Document (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) (in the case of interest and fees, solely to the extent accrued on, or related to, the portion of the principal amount set forth in clause (a)(i)), minus (b) the aggregate amount of all permanent reductions of the Revolving Loan Commitments (as calculated without giving effect to any termination of the Revolving Loan Commitments as a result of any default by any Grantor under the Revolving Loan Agreement), plus (c) (i) the aggregate amount of all Unintentional Overadvances and (ii) the aggregate amount of all Protective Advances made in accordance with Section 2.2 of the Revolving Loan Agreement as in effect on the date hereof, collectively in the case of clauses (c)(i) and (ii), up to a maximum aggregate amount of $6,000,000, plus (d) Bank Product Obligations owning to Revolving Loan Secured Parties up to a maximum aggregate amount of $8,000,000.

"Revolving Loan Priority Collateral" shall mean all Shared Collateral described on Annex A annexed hereto.

"Revolving Loan Priority Debt" means all Revolving Loan Debt, exclusive of any portion of principal which exceeds the Revolving Loan Maximum Amount and any interest, charges, fees, premiums, indemnities and expenses on account of such excess portion.

"Revolving Loan Secured Parties" shall mean, collectively, (a) Revolving Loan Agent, (b) the Revolving Loan Lenders, (c) the issuing bank or banks of letters of credit or similar instruments under the Revolving Loan Agreement, (d) the swingline lender under the Revolving Loan Agreement, (e) each other Revolving Loan Lender or Affiliate of a Revolving Loan Lender to whom any of the Revolving Loan Debt (including Revolving Loan Debt constituting Bank Product Obligations) is owed and (f) the successors, replacements and assigns of each of the foregoing, and "Revolving Loan Secured Party" shall mean each of them.

"Revolving Loan Standstill Period" shall have the meaning set forth in Section 3.1(b) hereof.

"Secured Parties" shall mean, collectively, the Revolving Loan Secured Parties and the Term Loan Secured Parties, and "Secured Party" shall mean each of them.

"Senior 507(b) Claims" shall have the meaning set forth in Section 6.4(c) hereof.

"Senior Agent" shall have the meaning set forth in Section 3.2(a) hereof.

"Shared Collateral" shall mean all of the property and interests in property, real or personal, tangible or intangible, now owned or hereafter acquired by any U.S. Grantor in or upon which any Revolving Loan Secured Party and/or Term Loan Secured Party at any time has a Lien (or is intended to have a Lien pursuant to the terms of Section 2.4 or 2.5 hereof), and including, without limitation, all Proceeds of such property and interests in property. For the avoidance of doubt, the Canadian Collateral shall not constitute "Shared Collateral."

"Shared Pledged Collateral" shall have the meaning set forth in Section 5.1 hereof.

"Subsidiary" shall mean, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided, in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a "qualifying share" of the former Person shall be deemed to be outstanding.

"Term Loan Agent" shall mean Brightwood Loan Services LLC, a Delaware limited liability company, in its capacity as agent pursuant to the Term Loan Documents acting for and on behalf of the other Term Loan Secured Parties and any successor or replacement collateral agent.

"Term Loan Agreement" shall mean the Credit Agreement, dated as of May 12, 2017 by and among the Term Loan Borrowers, the Term Loan Guarantors party thereto, Term Loan Agent and Term Loan Lenders, as the same now exists or may hereafter be amended, amended and restated, modified, supplemented, extended, renewed, restated, refinanced, or replaced in accordance with the terms of this Agreement.

"Term Loan Borrowers" shall mean, collectively, (a) Hydrofarm, EHH and SunBlaster and (b) any other Person that at any time on or after the date hereof becomes a party to the Term Loan Agreement as a borrower thereunder, and (c) their respective successors and assigns, and "Term Loan Borrower" shall mean each of them.

"Term Loan Cash Collateral" shall have the meaning set forth in Section 6.2 hereof.

"Term Loan Debt" shall mean all "Obligations" as such term is defined in the Term Loan Agreement, including, without limitation, obligations, liabilities and indebtedness of every kind, nature and description owing by any Grantor to any Term Loan Secured Party, including principal, interest, charges, fees, premiums, indemnities and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under any of the Term Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Term Loan Documents or after the commencement of any case with respect to any Grantor under the Bankruptcy Code or any other Bankruptcy Law or any other Insolvency Proceeding (and including, without limitation, any principal, interest, fees, costs, expenses and other amounts, which would accrue and become due but for the commencement of such case or proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case or similar proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured.

"Term Loan DIP Financing" shall have the meaning set forth in Section 6.2 hereof.

"Term Loan Documents" shall mean, collectively, the Term Loan Agreement and all agreements, documents and instruments at any time executed and/or delivered by any Grantor or any other Person to, with or in favor of any Term Loan Secured Party in connection therewith or related thereto, as all of the foregoing now exist or may hereafter be amended, amended and restated, modified, supplemented, extended, renewed, restated, refinanced, or replaced or restructured (in whole or in part and including any agreements with, to or in favor of any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Term Loan Debt), in each case, in accordance with the terms of this Agreement.

"Term Loan Event of Default" shall mean any "Event of Default" as defined in the Term Loan Agreement.

"Term Loan Excess Debt" shall mean any Term Loan Debt not constituting Term Loan Priority Debt.

"Term Loan Guarantors" shall mean, collectively, (a) Holdings and Hydrofarm Canada, LLC, a Delaware limited liability company, and (b) any other persons (other than the Term Loan Borrowers) that at any time is party to a guarantee in favor of Term Loan Agent or the Term Loan Secured Parties in respect of any of the Term Loan Debt, and their respective successors and assigns, and "Term Loan Guarantor" shall mean each of them.

"Term Loan Lenders" shall mean, collectively, any Person party to the Term Loan Documents as lender (and including any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Term Loan Debt or is otherwise party to the Term Loan Documents as a lender), and "Term Loan Lender" shall mean each of them.

"Term Loan Maximum Amount" means, as of any date of determination, the result of (a) (i) $82,500,000 and (ii) interest (including any payment-in-kind interest), fees, indemnities and expenses arising under any Term Loan Document (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case) (in the case of interest and fees, solely to the extent accrued on, or related to, the portion of the principal amount set forth in clause (a)(i)), minus (b) the sum of all principal payments of the loans under the Term Loan Agreement after the date hereof.

"Term Loan Priority Collateral" shall mean all Shared Collateral other than the Revolving Loan Priority Collateral.

"Term Loan Priority Debt" means all Term Loan Debt, exclusive of any portion of principal which exceeds the Term Loan Maximum Amount and any interest, charges, fees, premiums, indemnities and expenses on account of such excess portion.

"Term Loan Purchase Event" shall have the meaning set forth in Section 7.1 hereof.

"Term Loan Secured Parties" shall mean, collectively, (a) Term Loan Agent, (b) the Term Loan Lenders, (c) each other Person to whom any of the Term Loan Debt is owed and (d) the successors, replacements and assigns of each of the foregoing, and "Term Loan Secured Party" shall mean each of them.

"Term Loan Standstill Period" shall have the meaning set forth in Section 3.1(a)(i) hereof.

"Third Party Purchaser" shall have the meaning set forth in Section 9.1 hereof.

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as from time to time in effect in the State of New York, provided, however, if attachment, perfection or priority of any party's security interests in any Collateral (other than Canadian Collateral) are governed by the personal property security laws of any jurisdiction other than the State of New York, UCC shall mean those personal property security laws in such other jurisdiction for the purposes of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"Unintentional Overadvance" shall mean, on any date of determination, the aggregate principal amount of Revolving Loans and Letters of Credit at any time outstanding under the Revolving Loan Agreement that are made or issued without actual knowledge that such Revolving Loans and Letters of Credit would cause the aggregate outstanding principal amount of Revolving Loans and Letter of Credit to exceed the amount equal to the Borrowing Base at the time such Revolving Loans are made or Letter of Credit established calculated in accordance with the provisions of the Revolving Loan Agreement.

"U.S. Companies" shall mean the Companies other than the Canadian Borrowers and "U.S. Company" shall mean each of them.

"U.S. Grantors" shall mean, collectively, the U.S. Companies, U.S. Guarantors and each Subsidiary of any U.S. Company or any U.S. Guarantor that is not a Canadian Grantor and that shall have granted a Lien on any of its assets to secure any Revolving Loan Debt or Term Loan Debt, together with their respective successors and assigns; sometimes being referred to herein individually as a "U.S. Grantor".

"U.S. Guarantors" shall mean the Guarantors other than the Canadian Guarantors and "U.S. Guarantor" shall mean each of them.

1.2. Terms Generally.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, modified, supplemented, extended, renewed, restated, refinanced, or replaced, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, and as to any Company, any Guarantor or any other Grantor shall be deemed to include a Receiver, trustee or debtor-in-possession on behalf of any of such Person or on behalf of any such successor or assign, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. Lien Priorities

2.1. Acknowledgment of Liens.

(a) Revolving Loan Agent, on behalf of itself and each other Revolving Loan Secured Party, hereby acknowledges that Term Loan Agent, acting for and on behalf of itself and the other Term Loan Secured Parties, has been granted Liens upon all of the Shared Collateral, pursuant to the Term Loan Agreements to secure the Term Loan Debt. No Term Loan Secured Party shall obtain or otherwise have at any time any Lien upon any of the Canadian Collateral.

(b) Term Loan Agent, on behalf of itself and each other Term Loan Secured Party, hereby acknowledges that Revolving Loan Agent, acting for and on behalf of itself and the other Revolving Loan Secured Parties, (i) has been granted Liens upon all of the Shared Collateral and (ii) has been, or may in the future be, granted Liens upon the Canadian Collateral, in each case, pursuant to the Revolving Loan Documents to secure the Revolving Loan Debt.

2.2. Relative Priorities.

(a) Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens granted to Revolving Loan Agent or the Revolving Loan Secured Parties or Term Loan Agent or the Term Loan Secured Parties with respect to any part of the Shared Collateral and notwithstanding any provision of the UCC or any applicable law or any provisions of the Revolving Loan Documents or the Term Loan Documents or any defect or deficiencies in, or failure to perfect, any such Liens or any other circumstance whatsoever, the Term Loan Agent, on behalf of itself and the other Term Loan Secured Parties, and the Revolving Loan Agent, on behalf of itself and the other Revolving Loan Secured Parties, hereby agree that:

(i) (x) any Lien on the Revolving Loan Priority Collateral securing the Revolving Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Revolving Loan Priority Collateral securing the Term Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor, (y) any Lien on the Revolving Loan Priority Collateral securing the Term Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Revolving Loan Priority Collateral securing any Revolving Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor, and (z) any Lien on the Revolving Loan Priority Collateral securing any Revolving Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Revolving Loan Priority Collateral securing any Term Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor;

(ii) (x) any Lien on the Revolving Loan Priority Collateral securing any of the Term Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Revolving Loan Priority Collateral securing any Revolving Loan Priority Debt, (y) any Lien on the Revolving Loan Priority Collateral securing any of the Revolving Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Revolving Loan Priority Collateral securing any Term Loan Priority Debt and (z) any Lien on the Revolving Loan Priority Collateral securing any of the Term Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Revolving Loan Priority Collateral securing any Revolving Loan Excess Debt;

(iii) (x) any Lien on the Term Loan Priority Collateral securing the Term Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Term Loan Priority Collateral securing the Revolving Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor, (y) any Lien on the Term Loan Priority Collateral securing the Revolving Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Term Loan Priority Collateral securing the Term Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor and (z) any Lien on the Term Loan Priority Collateral securing the Term Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be senior in right, priority, operation, effect and in all other respects to any Lien on the Term Loan Priority Collateral securing the Revolving Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor; and

(iv) (x) any Lien on the Term Loan Priority Collateral securing any of the Revolving Loan Priority Debt now or hereafter held by or for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Term Loan Priority Collateral securing any Term Loan Priority Debt, (y) any Lien on the Term Loan Priority Collateral securing any of the Term Loan Excess Debt now or hereafter held by or for the benefit or on behalf of any Term Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Term Loan Priority Collateral securing any Revolving Loan Priority Debt and (z) any Lien on the Term Loan Priority Collateral securing any of the Revolving Loan Excess Debt now or hereafter held by of for the benefit or on behalf of any Revolving Loan Secured Party or any agent, receiver, interim receiver or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Term Loan Priority Collateral securing any Term Loan Excess Debt.

(b) As between Revolving Loan Secured Parties and Term Loan Secured Parties, the terms of this Agreement, including the priorities set forth above, shall govern even if part or all of the Revolving Loan Debt or Term Loan Debt or the Liens securing payment and performance thereof are not perfected or are subordinated, avoided, disallowed, set aside or otherwise invalidated in any judicial proceeding or otherwise.

2.3. Prohibition on Contesting Liens and Claims.

(a) Each of Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, and Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency Proceeding), the perfection, priority, extent, validity or enforceability of a Lien held, or purported to be held, by or for the benefit or on behalf of any Revolving Loan Secured Party in any Shared Collateral or Canadian Collateral or by or on behalf of any Term Loan Secured Party in any Shared Collateral; provided, that, nothing in this Agreement shall be construed to prevent or impair the rights of any Revolving Loan Secured Party or Term Loan Secured Party to enforce this Agreement, and provided, further, that nothing in this Agreement shall be construed to prevent any Revolving Loan Secured Party or Term Loan Secured Party from challenging the characterization of any item of Shared Collateral as Term Loan Priority Collateral or Revolving Loan Priority Collateral or the value of items of Term Loan Priority Collateral or Revolving Loan Priority Collateral, respectively.

(b) Each of Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, and Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency Proceeding), the priority, validity, extent or enforceability of any Revolving Loan Debt or any Term Loan Debt, including the allowability or priority of any Revolving Loan Debt or any Term Loan Debt in any Insolvency Proceeding, as the case may be; provided, that, nothing in this Agreement shall be construed to prevent or impair the rights of any Revolving Loan Secured Party or Term Loan Secured Party to enforce this Agreement.

2.4. Similar Liens on Shared Collateral and Other Agreements; Certain Acknowledgments and Agreements regarding Canadian Collateral and Canadian Grantors.

(a) The parties hereto agree that it is their intention that the Shared Collateral securing the Term Loan Debt and the Revolving Loan Debt be identical except as otherwise permitted by Section 2.4, Section 2.5 or Section 6 of this Agreement. In furtherance of the foregoing and of Section 11.8, the parties hereto agree, subject to the other provisions of this Agreement, upon request by the Revolving Loan Agent or the Term Loan Agent, to cooperate in good faith from time to time in order to determine the specific items included in the Revolving Loan Priority Collateral and the Term Loan Priority Collateral and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the Term Loan Documents and the Revolving Loan Documents.

(b) The Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, acknowledges that (i) no Canadian Grantor is obligated in any manner with respect to any part of the Term Loan Debt and (ii) it does not hold any Lien or security interest in any of the Canadian Collateral as security for the Term Loan Debt. The Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, covenants and agrees that unless first obtaining the written consent of Revolving Loan Agent (and not withstanding any other provision of this Agreement) it shall not at any time obtain or hold a Lien or security interest of any kind in all or any portion of the Canadian Collateral as security for the Term Loan Debt nor will the Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, make or otherwise allow any Canadian Grantor to become liable for, in whole or in part, any of the Term Loan Debt.

(c) The Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, acknowledges and agrees that it will not contest the validity, perfection, priority or enforceability of the Liens of the Revolving Loan Agent in the Canadian Collateral and that as between the Revolving Loan Secured Parties on the one hand, and the Term Loan Secured Parties, on the other hand, the terms of this Agreement with respect to the Canadian Collateral and the Canadian Grantors shall govern even if part or all of the Liens of the Revolving Loan Secured Parties securing payment and performance of the Revolving Loan Debt are avoided, disallowed, set aside or otherwise invalidated in any judicial proceeding or otherwise.

(d) Until the Discharge of Revolving Loan Priority Debt has occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, the Revolving Loan Agent and Revolving Loan Secured Parties shall have the exclusive right, subject to any applicable law, to manage, perform and enforce the terms of the Revolving Loan Documents with respect to the Canadian Collateral and to exercise and enforce (or refrain from enforcing) all privileges and rights thereunder with respect to the Canadian Collateral according to their discretion and exercise of their business judgment, including, without limitation, the exclusive right to enforce or settle insurance claims, take or retake control or possession of the Canadian Collateral, hold, apply, or release to Canadian Grantors proceeds (including insurance proceeds) of Canadian Collateral, and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate or otherwise enforce their rights as to any or all Canadian Collateral.

(e) The Term Loan Agent, on behalf of the Term Loan Secured Parties, hereby waives any rights it may have under applicable law to assert the doctrine of marshaling or to otherwise require the Revolving Loan Agent or any other Revolving Loan Secured Party to marshal any Canadian Collateral or any guaranties or other obligations of any Canadian Grantor for the benefit of the Term Loan Agent or the other Term Loan Secured Parties. The Term Loan Agent, on behalf of the Term Loan Secured Parties, further waives any right to demand, request, plead or otherwise assert or otherwise claim the benefit of any appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Canadian Collateral or any guaranties or other obligations of any Canadian Grantor or any other similar rights a junior creditor may have under applicable law.

(f) The Term Loan Agent, on behalf of the Term Loan Secured Parties, agrees that neither the Revolving Loan Agent nor any Revolving Loan Secured Party shall have any liability to the Term Loan Agent, and the Term Loan Agent hereby waives any claims against the Revolving Loan Agent or any other Revolving Loan Secured Party, arising out of any and all actions that the Revolving Loan Agent or any other Revolving Loan Secured Party may take or permit or omit to take, so long as any such actions are taken in a manner consistent with the terms of this Agreement, with respect to the foreclosure upon, or sale, liquidation or other disposition or realization of, any Canadian Collateral or any guaranties or other obligations of any Canadian Grantor.

2.5. New Liens. So long as the Discharge of Revolving Loan Debt or Discharge of Term Loan Debt, as applicable, shall not have occurred, whether or not an Insolvency Proceeding has been commenced by or against any Grantor, the parties hereto agree that (a) no U.S. Grantor shall: (i) grant or permit any additional Liens on any asset to secure any Term Loan Debt unless such U.S. Grantor gives Revolving Loan Agent at least five (5) Business Days (or such shorter period as may be agreed to by the Revolving Loan Agent) prior written notice thereof and unless such notice also offers to grant a Lien on such asset to secure the Revolving Loan Debt concurrently with the grant of a Lien thereon in favor of Term Loan Agent or any other Term Loan Secured Party (and, in the event that Revolving Loan Agent shall not affirmatively decline such offer in writing within such five (5) Business Day period, such U.S. Grantor shall take all actions necessary to grant a Lien on such asset to secure the Revolving Loan Debt concurrently with the grant of a Lien thereon in favor of Term Loan Agent or any other Term Loan Secured Party); or (ii) grant or permit any additional Liens on any asset to secure any Revolving Loan Debt unless such U.S Grantor gives Term Loan Agent at least five (5) Business Days (or such shorter period as may be agreed to by the Term Loan Agent) prior written notice thereof and unless such notice also offers to grant a Lien on such asset to secure the Term Loan Debt concurrently with the grant of a Lien thereon in favor of Revolving Loan Agent or any other Revolving Loan Secured Party (and, in the event that Term Loan Agent shall not affirmatively decline such offer in writing within such five (5) Business Day period, such U.S. Grantor shall take all actions necessary to grant a Lien on such asset to secure the Term Loan Debt concurrently with the grant of a Lien thereon in favor of Revolving Loan Agent or any other Revolving Loan Secured Party); and (b) no Canadian Grantor shall grant or permit any additional Liens on any Canadian Collateral to secure any Term Loan Debt. To the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available to the Secured Parties, Term Loan Agent and Revolving Credit Agent agree that any Lien obtained in violation of this Section shall also be held for the benefit of the Revolving Loan Secured Parties and Term Loan Secured Parties, as applicable, and that any such Lien shall be subject to the provisions of this Agreement including, without limitation, the lien priorities of Section 2 and the payment provisions of Section 4. The Revolving Loan Agent or Term Loan Agent, as applicable, may decline to accept any Lien offered to it pursuant to this Section, in which case, such Lien may be held for the sole benefit of the Revolving Loan Secured Parties or Term Loan Secured Parties as applicable.

Section 3. Enforcement

3.1. Exercise of Rights and Remedies.

(a) So long as the Discharge of Revolving Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties:

(i) will not take any Enforcement Action with respect to any Revolving Loan Priority Collateral or commence or join with any Person (other than Revolving Loan Agent with its consent) in commencing, or filing a petition for, any action or proceeding with respect to such rights or remedies (including any foreclosure action), except, that, subject at all times to the provisions of Section 4 of this Agreement and to Section 3.1(a)(ii) of this Agreement, Term Loan Agent may take an Enforcement Action or commence or join in any such action as to any Revolving Loan Priority Collateral commencing one hundred eighty (180) days after the date of the receipt by Revolving Loan Agent of written notice from Term Loan Agent of the declaration by Term Loan Secured Parties of a Term Loan Event of Default in accordance with the terms of the Term Loan Documents (as in effect on the date hereof or as amended not in violation of this Agreement) that is continuing and the written demand by Term Loan Secured Parties of the immediate payment in full of all of the Term Loan Debt under the Term Loan Documents so long as such Term Loan Event of Default has not been cured or waived (such period being referred to herein as the "Term Loan Standstill Period"); provided, that,

(A) in the event that at any time after the Term Loan Agent has sent a notice to Revolving Loan Agent to commence the Term Loan Standstill Period, the Term Loan Event of Default that was the basis for such notice is cured or waived and no other Term Loan Events of Default have occurred and are then continuing, then the notice shall automatically and without further action of the parties be deemed rescinded and no Term Loan Standstill Period shall be deemed to have been commenced;

(B) the Term Loan Standstill Period shall be tolled for any period during which Revolving Loan Agent is stayed from taking any Enforcement Action pursuant to any Insolvency Proceeding or court order, so long as the Revolving Loan Agent has used its commercially reasonable efforts to have such stay lifted;

(C) prior to taking any such Enforcement Action or commencing or petitioning for any such action or proceeding, after the end of the Term Loan Standstill Period, Term Loan Agent shall give Revolving Loan Agent not more than ten (10) Business Days' and not less than five (5) Business Days' prior written notice of the intention of Term Loan Agent or any other Term Loan Secured Party to take an Enforcement Action or commence or petition for any such action or proceeding, including specifying the rights and remedies that it intends to exercise, which notice may be sent prior to the end of the Term Loan Standstill Period; and

(D) notwithstanding anything to the contrary contained in this Section 3.1(a)(i), Term Loan Agent and the other Term Loan Secured Parties may take an Enforcement Action against any specific item or items of the Revolving Loan Priority Collateral or commence or petition for any action or proceeding with respect to such rights or remedies after the end of the Term Loan Standstill Period, unless Revolving Loan Agent or any other Revolving Loan Secured Party is diligently pursuing in good faith an Enforcement Action against U.S. Grantors and/or all or any material portion of the Revolving Loan Priority Collateral or such item or items of Revolving Loan Priority Collateral, including, without limitation, any of the following: solicitation of bids from third parties to conduct the liquidation of all or any material portion of the Revolving Loan Priority Collateral, the engagement or retention of sales brokers, marketing agents, investment bankers, accountants, auctioneers or other third parties for the purpose of valuing, marketing, promoting or selling all or any material portion of the Revolving Loan Priority Collateral, the notification of account debtors that owe all or a material portion of the accounts to make payments to the Revolving Loan Agent or its agents, the initiation of any action to take possession of all or any material portion of the Revolving Loan Priority Collateral or the commencement of any legal proceedings or actions against or with respect to all or any material portion of the Revolving Loan Priority Collateral;

(ii) will not contest, protest or object to any foreclosure action or proceeding brought by Revolving Loan Agent or any other Revolving Loan Secured Party, or any other Enforcement Action taken by any Revolving Loan Secured Party relating solely to the Revolving Loan Priority Collateral, so long as the Liens of Term Loan Agent attach to the Proceeds thereof subject to the relative priorities set forth in Section 2.1;

(iii) will not object to the forbearance by Revolving Loan Agent or the other Revolving Loan Secured Parties from commencing or pursuing any foreclosure action or proceeding or any other Enforcement Action with respect to any of the Revolving Loan Priority Collateral;

(iv) will not, so long as the Discharge of Revolving Loan Priority Debt has not occurred and except for actions otherwise permitted (x) in accordance with Section 3.1(a)(i)(D) and subject to Section 4.1 or (y) in accordance with Section 6.4 but not in violation of any provision of this Agreement, take or receive any Revolving Loan Priority Collateral, or any Proceeds thereof or payment with respect thereto, in connection with the exercise of any right or remedy with respect to any Revolving Loan Priority Collateral;

(v) agrees that no covenant, agreement or restriction contained in any Term Loan Document shall be deemed to restrict in any way the rights and remedies of Revolving Loan Agent or the other Revolving Loan Secured Parties with respect to the Revolving Loan Priority Collateral as set forth in this Agreement and the Revolving Loan Documents;

(vi) will not object to the manner in which Revolving Loan Agent or any other Revolving Loan Secured Party may seek to enforce or collect the Revolving Loan Debt or the Liens of such Revolving Loan Secured Party on any Revolving Loan Priority Collateral to the extent not in violation of this Agreement, regardless of whether any action or failure to act by or on behalf of Revolving Loan Agent or any other Revolving Loan Secured Party is, or could be, adverse to the interests of the Term Loan Secured Parties, and will not assert, and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or claim the benefit of any marshaling, appraisal, valuation or other similar right that may be available under applicable law with respect to the Revolving Loan Priority Collateral or any other rights a junior secured creditor may have under applicable law with respect to the matters described in this clause (vi); and

(vii) will not attempt, directly or indirectly, whether by judicial proceeding or otherwise, to challenge or question the validity or enforceability of any Revolving Loan Debt or any Lien of Revolving Loan Agent or this Agreement (other than the challenging the characterization of any item of Shared Collateral as Term Loan Priority Collateral or Revolving Loan Priority Collateral), or the validity or enforceability of the priorities, rights or obligations established by this Agreement.

(b) So long as the Discharge of Term Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties:

(i) will not take any Enforcement Action with respect to any Term Loan Priority Collateral or commence or join with any Person (other than Term Loan Agent with its consent) in commencing, or filing a petition for, any action or proceeding with respect to such rights or remedies (including any foreclosure action), except, that, subject at all times to the provisions of Section 4 of this Agreement and to Section 3.1(b)(ii) of this Agreement, Revolving Loan Agent may take an Enforcement Action or commence or join in any such action as to any Term Loan Priority Collateral commencing one hundred eighty (180) days after the date of the receipt by Term Loan Agent of written notice from Revolving Loan Agent of the declaration by Revolving Loan Secured Parties of a Revolving Loan Event of Default in accordance with the terms of the Revolving Loan Documents (as in effect on the date hereof or as amended not in violation of this Agreement) that is continuing and the written demand by Revolving Loan Secured Parties of the immediate payment in full of all of the Revolving Loan Debt under the Revolving Loan Documents so long as such Revolving Loan Event of Default has not been cured or waived (such period being referred to herein as the "Revolving Loan Standstill Period"); provided, that,

(A) in the event that at any time after the Revolving Loan Agent has sent a notice to Term Loan Agent to commence the Revolving Loan Standstill Period, the Revolving Loan Event of Default that was the basis for such notice is cured or waived and no other Revolving Loan Events of Default have occurred and are then continuing, then the notice shall automatically and without further action of the parties be deemed rescinded and no Revolving Loan Standstill Period shall be deemed to have been commenced;

(B) the Revolving Loan Standstill Period shall be tolled for any period during which Term Loan Agent is stayed from taking any Enforcement Action pursuant to any Insolvency Proceeding or court order so long as the Term Loan Agent has used its commercially reasonable efforts to have such stay lifted;

(C) prior to taking any such Enforcement Action or commencing or petitioning for any such action or proceeding, after the end of the Revolving Loan Standstill Period, Revolving Loan Agent shall give Term Loan Agent not more than ten (10) Business Days' and not less than five (5) Business Days' prior written notice of the intention of Revolving Loan Agent or any other Revolving Loan Secured Party to take any Enforcement Action or commence or petition for any such action or proceeding, including specifying the rights and remedies that it intends to exercise, which notice may be sent prior to the end of the Revolving Loan Standstill Period; and

(D) notwithstanding anything to the contrary contained in this Section 3.1(b)(i), Revolving Loan Agent and the other Revolving Loan Secured Parties may take an Enforcement Action against any specific item or items of the Term Loan Priority Collateral or commence or petition for any action or proceeding with respect to such rights or remedies after the end of the Revolving Loan Standstill Period, unless Term Loan Agent or any other Term Loan Secured Party is diligently pursuing in good faith an Enforcement Action against all or any material portion of the Term Loan Priority Collateral or such item or items of Term Loan Priority Collateral, including, without limitation, any of the following: solicitation of bids from third parties to conduct the liquidation of all or any material portion of the Term Loan Priority Collateral, the engagement or retention of sales brokers, marketing agents, investment bankers, accountants, auctioneers or other third parties for the purpose of valuing, marketing, promoting or selling all or any material portion of the Term Loan Priority Collateral, the initiation of any action to take possession of all or any material portion of the Term Loan Priority Collateral or the commencement of any legal proceedings or actions against or with respect to all or any material portion of the Term Loan Priority Collateral;

(ii) will not contest, protest or object to any foreclosure action or proceeding brought by Term Loan Agent or any other Term Loan Secured Party, or any other Enforcement Action taken by any Term Loan Secured Party relating solely to the Term Loan Priority Collateral, so long as the Liens of Revolving Loan Agent attach to the Proceeds thereof subject to the relative priorities set forth in Section 2.1;

(iii) will not object to the forbearance by Term Loan Agent or the other Term Loan Secured Parties from commencing or pursuing any foreclosure action or proceeding or any other Enforcement Action with respect to any of the Term Loan Priority Collateral;

(iv) will not, so long as the Discharge of Term Loan Priority Debt has not occurred and except for actions otherwise permitted (x) in accordance with Section 3.1(b)(i)(D) and subject to Section 4.1 or (y) in accordance with Section 6.4 but not in violation of any provision of this Agreement, take or receive any Term Loan Priority Collateral, or any Proceeds thereof or payment with respect thereto, in connection with the exercise of any right or remedy with respect to any Term Loan Priority Collateral;

(v) agrees that no covenant, agreement or restriction contained in any Revolving Loan Document shall be deemed to restrict in any way the rights and remedies of Term Loan Agent or the other Term Loan Secured Parties with respect to the Term Loan Priority Collateral as set forth in this Agreement and the Term Loan Documents;

(vi) will not object to the manner in which Term Loan Agent or any other Term Loan Secured Party may seek to enforce or collect the Term Loan Debt or the Liens of such Term Loan Secured Party on any Term Loan Priority Collateral to the extent not in violation of this Agreement, regardless of whether any action or failure to act by or on behalf of Term Loan Agent or any other Term Loan Secured Party is, or could be, adverse to the interests of the Revolving Loan Secured Parties, and will not assert, and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or claim the benefit of any marshaling, appraisal, valuation or other similar right that may be available under applicable law with respect to the Term Loan Priority Collateral or any other rights a junior secured creditor may have under applicable law with respect to the matters described in this clause (vi); and

(vii) will not attempt, directly or indirectly, whether by judicial proceeding or otherwise, to challenge or question the validity or enforceability of any Term Loan Debt or any Lien of Term Loan Agent or this Agreement (other than the challenging the characterization of any item of Shared Collateral as Term Loan Priority Collateral or Revolving Loan Priority Collateral), or the validity or enforceability of the priorities, rights or obligations established by this Agreement.

(c) Until the Discharge of Revolving Loan Priority Debt has occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, subject to Section 3.1(a)(i) and Section 7 hereof, the Revolving Loan Agent and the other Revolving Loan Secured Parties shall have the exclusive right to commence, and if applicable, maintain the exercise of its rights and remedies with respect to the Revolving Loan Priority Collateral, including, without limitation, the exclusive right, to the extent provided for in the Revolving Loan Documents or under applicable law, to appoint an administrator or a Receiver in respect of the Revolving Loan Priority Collateral, to take or retake control or possession of such Revolving Loan Priority Collateral and to hold, prepare for sale, process, and subject to Section 3.1(a) and Section 7 hereof, sell, lease, dispose of, or liquidate such Revolving Loan Priority Collateral, without any consultation with or the consent of any Term Loan Secured Party; provided, that, the Lien securing the Term Loan Debt shall continue as to the Proceeds of such Revolving Loan Priority Collateral released or disposed of subject to the relative priorities described in Section 2 hereof. In exercising enforcement rights and remedies with respect to the Revolving Loan Priority Collateral, the Revolving Loan Agent and the other Revolving Loan Secured Parties may enforce the provisions of the Revolving Loan Documents with respect to the Revolving Loan Priority Collateral and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise realize on or dispose of any Revolving Loan Priority Collateral upon foreclosure, to incur expenses in connection with such sale or other realization or disposition, and to exercise all of the rights and remedies of a secured creditor under the UCC, the PPSA and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction. Prior to the Discharge of Revolving Loan Priority Debt, Term Loan Secured Parties shall not have any right to direct any Revolving Loan Secured Party to exercise any right, remedy or power with respect to the Revolving Loan Priority Collateral and each Term Loan Secured Party shall have no right to consent to any exercise of remedies under the Revolving Loan Documents or applicable law in respect of any of the Revolving Loan Priority Collateral. No Term Loan Secured Party shall institute any suit or assert in any suit, Insolvency Proceeding or other proceeding any claim against any Revolving Loan Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise, with respect to the Revolving Loan Priority Collateral.

(d) Until the Discharge of Term Loan Priority Debt has occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, subject to Section 3.1(b)(i) hereof, the Term Loan Agent and the other Term Loan Secured Parties shall have the exclusive right to commence, and if applicable, maintain the exercise of its rights and remedies with respect to the Term Loan Priority Collateral, including, without limitation, the exclusive right, to the extent provided for in the Term Loan Documents or under applicable law, to appoint an administrator or a Receiver in respect of the Term Loan Priority Collateral, to take or retake control or possession of such Term Loan Priority Collateral and to hold, prepare for sale, process, and subject to Section 3.1(b) hereof, sell, lease, dispose of, or liquidate such Term Loan Priority Collateral, without any consultation with or the consent of any Revolving Loan Secured Party; provided that, the Lien securing the Revolving Loan Debt shall continue as to the Proceeds of such Term Loan Priority Collateral released or disposed of subject to the relative priorities described in Section 2 hereof. In exercising enforcement rights and remedies with respect to the Term Loan Priority Collateral, the Term Loan Agent and the other Term Loan Secured Parties may enforce the provisions of the Term Loan Documents with respect to the Term Loan Priority Collateral and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise realize on or dispose of any Term Loan Priority Collateral upon foreclosure, to incur expenses in connection with such sale or other realization or disposition, and to exercise all of the rights and remedies of a secured creditor under the UCC, the PPSA and of a secured creditor under the Bankruptcy Laws of any applicable jurisdiction. Prior to the Discharge of Term Loan Priority Debt, Revolving Loan Secured Parties shall not have any right to direct any Term Loan Secured Party to exercise any right, remedy or power with respect to the Term Loan Priority Collateral and each Revolving Loan Secured Party shall have no right to consent to any exercise of remedies under the Revolving Loan Documents or applicable law in respect of any of the Term Loan Priority Collateral. No Revolving Loan Secured Party shall institute any suit or assert in any suit, Insolvency Proceeding or other proceeding any claim against any Term Loan Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise, with respect to the Term Loan Priority Collateral.

(e) Notwithstanding the foregoing, each of the Term Loan Agent and the Revolving Loan Agent may:

(i) file a claim, proof of claim or statement of interest with respect to the Revolving Loan Debt or Term Loan Debt, as the case may be; provided, that, an Insolvency Proceeding has been commenced by or against any Grantor;

(ii) in the case of the Term Loan Agent, take any action in order to create, perfect, preserve or protect (but not enforce) its Lien on any of the Revolving Loan Priority Collateral and its priority thereof, and in the case of the Revolving Loan Agent, take any action in order to create, perfect, preserve or protect (but not enforce) its Lien on any of the Term Loan Priority Collateral and its priority thereof;

(iii) file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any Person objecting to or otherwise seeking the disallowance of the claims of the Revolving Loan Secured Parties or Term Loan Secured Parties represented by it, including any claims secured by the Collateral, if any, or otherwise make any agreements or file any motions or objections pertaining to the claims of such Secured Parties, in each case in accordance with the terms of this Agreement;

(iv) file any pleadings, proceedings, applications, objections, motions or agreements which assert rights or interests that are available to unsecured creditors of the Grantors including, without limitation, the commencement of an Insolvency Proceeding against any Grantor, in each case, in accordance with applicable law and in a manner not inconsistent with the terms of this Agreement;

(v) vote on any plan of reorganization or arrangement or proposal, file any proof of claim, make other filings and make any arguments and motions that do not, in any case, contravene the terms of this Agreement; and

(vi) exercise all other rights and remedies as unsecured creditors against any U.S. Grantor so long as such exercise does not contravene the terms of this Agreement (it being understood that any provision of this Agreement that requires any party hereto to act or to refrain from acting shall be applicable to such party in its respective capacities as a secured and an unsecured creditor).

3.2. Release of Second Priority Liens.

(a) If the Agent with the senior Lien on any Shared Collateral (the "Senior Agent") releases its Liens on any part of such Shared Collateral in connection with (i) any Disposition of such Shared Collateral permitted under the terms of both the Revolving Loan Documents and the Term Loan Documents, (ii) the Disposition by an Agent (but not by a U.S. Grantor) of such Shared Collateral in connection with such Agent's taking an Enforcement Action in respect of such Shared Collateral or (iii) the Disposition by any U.S. Grantor of such Shared Collateral with the consent of the Senior Agent so long as, in the case of any Disposition of such Shared Collateral pursuant to this clause (iii), (A) a Revolving Loan Event of Default (in the case of a Disposition of Revolving Loan Priority Collateral) or Term Loan Event of Default (in the case of a Disposition of Term Loan Priority Collateral) has occurred and is continuing, and (B) the net cash proceeds received from such Disposition shall be applied to repay the Revolving Loan Priority Debt (in the case of a Disposition of Revolving Loan Priority Collateral) or the Term Loan Debt (in the case of a Disposition of Term Loan Priority Collateral), then (in each case) effective upon the consummation of any such Disposition or Enforcement Action, the Agent with the junior Lien on any such Shared Collateral (the "Junior Agent") shall:

(i) be deemed to have automatically and without further action released and terminated any Liens it may have on such Shared Collateral; provided, that, (x) the Liens of the Senior Agent on such Shared Collateral so sold or disposed of are released at the same time, and (y) such junior Lien shall remain in place with respect to any Proceeds of such sale, transfer or other Disposition under this clause (a) that remain after the Discharge of Revolving Loan Priority Debt (in the case of Revolving Loan Priority Collateral) or the Discharge of Term Loan Priority Debt (in the case of Term Loan Priority Collateral);

(ii) be deemed to have authorized the Senior Agent and their designees to file UCC amendments and terminations covering the Shared Collateral so sold or otherwise disposed of with respect to the UCC financing statements between any U.S. Grantor and the Junior Agent to evidence such release and termination; and

(iii) promptly upon the request of the Senior Agent, execute and deliver such other release documents and confirmations of the authorization to file UCC amendments and terminations provided for herein, in each case as the Senior Agent may require in connection with such sale or other Disposition, to evidence and effectuate such termination and release;

provided, that, any such release or UCC amendment or termination, in the case of any of clauses (i), (ii) or (iii) above, by or on behalf of the Junior Agent shall not extend to or otherwise affect any of the rights, if any, of such Junior Agent to the Proceeds from any such sale or other Disposition of Shared Collateral upon the Discharge of Revolving Loan Priority Debt or the Discharge of Term Loan Priority Debt, as the case may be, whichever is secured by the senior Lien on such Shared Collateral.

(b) Each Agent, for itself and on behalf of the other Secured Parties for whom such Agent is acting, in its capacity as Junior Agent, hereby irrevocably constitutes and appoints the other Agent, in its capacity as Senior Agent, and any officer or agent of such Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Junior Agent or such holder or in the Junior Agent's own name, from time to time in such Senior Agent's discretion, for the purpose of carrying out the terms of this Section 3.2, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 3.2, including any termination statements, endorsements or other instruments of transfer or release. Nothing contained in this Agreement shall be construed to modify the obligation of the Senior Agent to act in a commercially reasonable manner in the exercise of its rights to sell, lease, license, exchange, transfer or otherwise dispose of any Shared Collateral.

(c) In the event that Proceeds of Collateral are received in connection with a Disposition of Shared Collateral that directly or indirectly involves both of some or all of the Revolving Loan Priority Collateral and some or all of the Term Loan Priority Collateral, the Revolving Loan Agent and the Term Loan Agent shall use commercially reasonable efforts in good faith to allocate the Proceeds received in connection with such Disposition of such Shared Collateral to the Revolving Loan Priority Collateral and the Term Loan Priority Collateral. If the Revolving Loan Agent and Term Loan Agent are unable to agree on such allocation within ten (10) Business Days (or such other period of time as Revolving Loan Agent and Term Loan Agent agree) of the consummation of such Disposition, the portion of such Proceeds that shall be allocated as Proceeds of Revolving Loan Priority Collateral for purposes of this Agreement shall be an amount equal to not less than the sum of the book value of the accounts and inventory (each as defined in the UCC) included in the Shared Collateral subject to such Disposition (determined at the time of such Disposition).

3.3. Insurance and Condemnation Awards.

(a) So long as the Discharge of Revolving Loan Priority Debt has not occurred, Revolving Loan Agent and the other Revolving Loan Secured Parties shall have the sole and exclusive right, subject to the rights of U.S. Grantors under the Revolving Loan Documents, to settle and adjust claims in respect of the Revolving Loan Priority Collateral under policies of insurance and to approve any award granted in any condemnation, expropriation or similar proceeding, or any deed in lieu of condemnation or expropriation in respect of the Revolving Loan Priority Collateral. So long as the Discharge of Revolving Loan Priority Debt has not occurred, all Proceeds of any such policy and any such award, or any payments with respect to a deed in lieu of condemnation or expropriation, shall (a) first, be paid to Revolving Loan Agent for the benefit of the Revolving Loan Secured Parties to the extent required under, and for application in accordance with, the Revolving Loan Documents, (b) second, be paid to Term Loan Agent for the benefit of the Term Loan Secured Parties to the extent required under, and for application in accordance with, the applicable Term Loan Documents, and (c) third, if the Discharge of Term Loan Debt has occurred, be paid to the owner of the subject property or as a court of competent jurisdiction may otherwise direct or may otherwise be required by applicable law. Until the Discharge of Revolving Loan Priority Debt, if Term Loan Agent or any other Term Loan Secured Party shall, at any time, receive any Proceeds of any such insurance policy or any such award or payment, it shall pay such Proceeds over to Revolving Loan Agent in accordance with the terms of Section 4.2.

(b) So long as the Discharge of Term Loan Priority Debt has not occurred, Term Loan Agent and the other Term Loan Secured Parties shall have the sole and exclusive right, subject to the rights of U.S. Grantors under the Term Loan Documents, to settle and adjust claims in respect of the Term Loan Priority Collateral under policies of insurance and to approve any award granted in any condemnation, expropriation or similar proceeding, or any deed in lieu of condemnation, expropriation in respect of the Term Loan Priority Collateral. So long as the Discharge of Term Loan Priority Debt has not occurred, all Proceeds of any such policy and any such award, or any payments with respect to a deed in lieu of condemnation or expropriation, shall (a) first, be paid to Term Loan Agent for the benefit of the Term Loan Secured Parties to the extent required under, and for application in accordance with, the applicable Term Loan Documents, (b) second, be paid to Revolving Loan Agent for the benefit of the Revolving Loan Secured Parties to the extent required under, and for application in accordance with, the Revolving Loan Documents, and (c) third, if the Discharge of Revolving Loan Debt has occurred, be paid to the owner of the subject property or as a court of competent jurisdiction may otherwise direct or may otherwise be required by applicable law. Until the Discharge of Term Loan Priority Debt, if Revolving Loan Agent or any other Revolving Loan Secured Party shall, at any time, receive any Proceeds of any such insurance policy or any such award or payment, it shall pay such Proceeds over to Term Loan Agent in accordance with the terms of Section 4.2.

3.4. Tracing of and Priorities in Proceeds. Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, and Term Loan Agent, for itself and on behalf of the Term Loan Secured Parties, agree that prior to an issuance of a notice of an Enforcement Notice or the commencement of any Insolvency Proceeding, any Proceeds of Shared Collateral, whether or not deposited under Control Agreements, which are used by any U.S. Grantor to acquire other property which is Shared Collateral shall not (solely as between the Agents, the Revolving Loan Secured Parties and the Term Loan Secured Parties) be treated as Proceeds of Shared Collateral for purposes of determining the relative priorities in the Shared Collateral which was so acquired. In addition, unless and until the Discharge of Revolving Loan Debt occurs, subject to Section 4.2, the Term Loan Agent and the Term Loan Secured Parties each hereby (x) consents to the application, prior to the receipt by the Revolving Loan Agent of a notice of an Enforcement Notice or a notice of the declaration by Term Loan Secured Parties of a Term Loan Event of Default or the commencement of any Insolvency Proceeding, of cash (including any other Proceeds of Shared Collateral as and when converted to cash) deposited under Control Agreements or Blocked Accounts (as defined in the Revolving Loan Agreement) to the repayment of Revolving Loan Debt pursuant to the Revolving Loan Documents and (y) agrees that any claim that payments made to the Revolving Loan Agent through the accounts that are subject to such Control Agreements or Dominion Accounts, respectively, are Proceeds of or otherwise constitute Term Loan Priority Collateral are waived by the Term Loan Agent and the Term Loan Secured Parties.

Section 4. Payments

4.1. Application of Proceeds.

(a) So long as the Discharge of Revolving Loan Debt has not occurred, the Revolving Loan Priority Collateral or Proceeds thereof received in connection with any Enforcement Action or Insolvency Proceeding (including amounts distributed on account of a Lien on such the Revolving Loan Priority Collateral or Proceeds thereof) (but excluding any Revolving Loan DIP Financing or Revolving Loan Cash Collateral usage complying with the terms of Section 6.2(a) hereof) shall be applied in the following order of priority:

(i) first, to the Revolving Loan Priority Debt and for cash collateral as required under the Revolving Loan Documents, in such order as specified in the applicable Revolving Loan Documents until the Discharge of Revolving Loan Priority Debt has occurred;

(ii) second, to the Term Loan Priority Debt and for cash collateral as required under the Term Loan Documents, in such order as specified in the applicable Term Loan Documents until the Discharge of Term Loan Priority Debt has occurred;

(iii) third, to the Revolving Loan Excess Debt until the Discharge of Revolving Loan Debt has occurred; and

(iv) fourth, to the Term Loan Excess Debt until the Discharge of Term Loan Debt has occurred.

(b) So long as the Discharge of Term Loan Debt has not occurred, the Term Loan Priority Collateral or Proceeds thereof received in connection with any Enforcement Action or Insolvency Proceeding (including amounts distributed on account of a Lien on such the Term Loan Priority Collateral or Proceeds thereof) shall be applied in the following order of priority:

(i) first, to the Term Loan Priority Debt and for cash collateral as required under the Term Loan Documents in such order as specified in the applicable Term Loan Documents until the Discharge of Term Loan Priority Debt has occurred;

(ii) second, to the Revolving Loan Priority Debt and for cash collateral as required under the Revolving Loan Documents in such order as specified in the applicable Revolving Loan Documents until the Discharge of Revolving Loan Priority Debt has occurred;

(iii) third, to the Term Loan Excess Debt until the Discharge of Term Loan Debt has occurred; and

(iv) fourth, to the Revolving Loan Excess Debt until the Discharge of Revolving Loan Debt has occurred.

(c) Upon the Discharge of Revolving Loan Priority Debt, to the extent permitted under applicable law and without risk of legal liability to Revolving Loan Agent or any other Revolving Loan Secured Party and until the Discharge of Term Loan Priority Debt, Revolving Loan Agent shall deliver to Term Loan Agent, without representation or recourse, any Proceeds of Shared Collateral held by it at such time in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by Term Loan Agent to the Term Loan Debt in such order as specified in the relevant Term Loan Documents. Upon the Discharge of Term Loan Priority Debt, to the extent permitted under applicable law and without risk of legal liability to Term Loan Agent or any other Term Loan Secured Party and until the Discharge of Revolving Loan Priority Debt, Term Loan Agent shall deliver to Revolving Loan Agent, without representation or recourse, any Proceeds of Shared Collateral held by it at such time in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by Revolving Loan Agent to the Revolving Loan Debt in such order as specified in the relevant Revolving Loan Documents. The provisions of this Section 4.1 are intended solely to govern the respective Lien priorities as between Term Loan Agent and Revolving Loan Agent and shall not impose on any Agent or any other Secured Party any obligations in respect of the disposition of Proceeds of foreclosure on any Shared Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or other governmental authority or any applicable law.

4.2. Payments Over.

(a) So long as the Discharge of Revolving Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, Term Loan Agent agrees, for itself and on behalf of the other Term Loan Secured Parties, that any Revolving Loan Priority Collateral or Proceeds thereof or payment with respect thereto received by Term Loan Agent or any other Term Loan Secured Party (including any right of set-off), and including in connection with any insurance policy claim or any condemnation or expropriation award (or deed in lieu of condemnation or expropriation), in each case, in violation of this Agreement, shall be segregated and held in trust and promptly transferred or paid over to Revolving Loan Agent for the benefit of the Revolving Loan Secured Parties in the same form as received, with any necessary endorsements or assignments or as a court of competent jurisdiction may otherwise direct. Revolving Loan Agent is hereby authorized to make any such endorsements or assignments as agent for Term Loan Agent. This authorization is coupled with an interest and is irrevocable.

(b) So long as the Discharge of Term Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, Revolving Loan Agent agrees, for itself and on behalf of the other Revolving Loan Secured Parties, that any Term Loan Priority Collateral or Proceeds thereof or payment with respect thereto received by Revolving Loan Agent or any other Revolving Loan Secured Party (including any right of set-off), and including in connection with any insurance policy claim or any condemnation or expropriation award (or deed in lieu of condemnation or expropriation), in each case, in violation of this Agreement, shall be segregated and held in trust and promptly transferred or paid over to Term Loan Agent for the benefit of the Term Loan Secured Parties in the same form as received, with any necessary endorsements or assignments or as a court of competent jurisdiction may otherwise direct. Term Loan Agent is hereby authorized to make any such endorsements or assignments as agent for Revolving Loan Agent. This authorization is coupled with an interest and is irrevocable.

4.3. Proceeds of Certain Mandatory Prepayments.

(a) So long as the Discharge of Term Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, subject to Section 3.2(c) hereof, all net cash proceeds (including any other Proceeds as and when converted to cash) of assets sales, casualty events, condemnation awards and deeds in lieu of foreclosure or Extraordinary Receipts, in each case, received by U.S. Grantors in respect of Term Loan Priority Collateral and from the incurrence of indebtedness by any U.S. Grantor in violation of the Term Loan Agreement, in each case, shall (to the extent required under and in accordance with the provisions of the Term Loan Agreement) be applied to prepay the Term Loan Debt in accordance with the Term Loan Documents.

(b) So long as the Discharge of Revolving Loan Priority Debt has not occurred, whether or not any Insolvency Proceeding has been commenced by or against any Grantor, subject to Section 3.2(c) hereof, all net cash proceeds (including any other Proceeds as and when converted to cash) of assets sales, casualty events, condemnation awards and deeds in lieu of foreclosure or Extraordinary Receipts, in each case, received by Grantors in respect of Revolving Loan Priority Collateral (to the extent required under and in accordance with the provisions of the Revolving Loan Agreement) be applied to prepay the Revolving Loan Debt in accordance with the Revolving Loan Documents.

(c) So long as the Discharge of Term Loan Priority Debt has not occurred, notwithstanding anything to the contrary set forth herein or in the Revolving Loan Documents, but except as otherwise set forth in clause (b) above, U.S. Grantors shall be permitted to make, and Term Loan Secured Parties shall be permitted to receive and retain, any mandatory amortization payments required pursuant to Section 2.1(d) of the Term Loan Agreement and, except as otherwise set forth in clause (b) above, any other mandatory prepayments of Term Loan Debt (and any required prepayment premium) required to be made pursuant to the Term Loan Documents (including pursuant to Section 2.1(g) of the Term Loan Agreement).

Section 5. Bailee for Perfection

5.1. Each Agent as Bailee.

(a) Each Agent agrees to hold any Shared Collateral that is in the possession or control of such Agent (or its agents or bailees), to the extent that possession or control thereof is effective to perfect a Lien thereon under the UCC (such Shared Collateral being referred to herein as the "Shared Pledged Collateral"), as bailee and agent for and on behalf of the other Agent solely for the purpose of perfecting the Lien granted to the other Agent in such Shared Pledged Collateral (including as to any securities or any deposit accounts or securities accounts, if any, for purposes of satisfying the requirements of Sections 8-106(d)(3), 8-301(a)(2) and 9-313(c) of the UCC) pursuant to the Revolving Loan Documents or Term Loan Documents, as applicable, subject to the terms and conditions of this Section 5.

(b) Until the Discharge of Revolving Loan Priority Debt has occurred, Revolving Loan Agent shall be entitled to deal with the Shared Pledged Collateral constituting Revolving Loan Priority Collateral in accordance with the terms of the Revolving Loan Documents. The rights of Term Loan Agent to such Shared Pledged Collateral shall at all times be subject to the terms of this Agreement and to Revolving Loan Agent's rights under the Revolving Loan Documents. Until the Discharge of Term Loan Priority Debt has occurred, Term Loan Agent shall be entitled to deal with the Shared Pledged Collateral constituting Term Loan Priority Collateral in accordance with the terms of the Term Loan Documents. The rights of Revolving Loan Agent to such Shared Pledged Collateral shall at all times be subject to the terms of this Agreement and to Term Loan Agent's rights under the Term Loan Documents.

(c) Each Agent shall have no obligation whatsoever to the other Agent or any other Secured Party to assure that the Shared Pledged Collateral is genuine or owned by any of the U.S. Grantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5. The duties or responsibilities of each Agent under this Section 5 shall be limited solely to holding the Shared Pledged Collateral as bailee and agent for and on behalf of the other Agent for purposes of perfecting the Lien held by the other Agent.

(d) Each Agent shall not have by reason of the Revolving Loan Documents, the Term Loan Documents or this Agreement or any other document a fiduciary relationship in respect of the other Agent or any of the other Secured Parties and shall not have any liability to the other Agent or any other Secured Party in connection with its holding the Shared Pledged Collateral, other than for its gross negligence or willful misconduct as determined by a final, non-appealable order of a court of competent jurisdiction.

5.2. Transfer of Shared Pledged Collateral.

(a) Upon the Discharge of Revolving Loan Priority Debt, to the extent permitted under applicable law, upon the request of Term Loan Agent, Revolving Loan Agent shall, without recourse or warranty, transfer the possession and control of the Shared Pledged Collateral, if any, then in its possession or control to Term Loan Agent, except in the event and to the extent (i) Revolving Loan Agent or any other Revolving Loan Secured Party has retained or otherwise acquired such Shared Pledged Collateral in full or partial satisfaction of any of the Revolving Loan Debt, (ii) such Shared Pledged Collateral is sold or otherwise disposed of by Revolving Loan Agent or any other Revolving Loan Secured Party or by a U.S. Grantor as provided herein or (iii) it is otherwise required by any order of any court or other governmental authority or applicable law or would result in the risk of liability of Revolving Loan Secured Party to any third party. In connection with any transfer described in the immediately preceding sentence to Term Loan Agent, Revolving Loan Agent agrees to take reasonable actions in its power (with all costs and expenses in connection therewith to be for the account of Term Loan Agent and to be paid by the U.S. Companies) as shall be reasonably requested by Term Loan Agent to permit Term Loan Agent to obtain, for the benefit of the Term Loan Secured Parties, a first priority security interest in the Shared Pledged Collateral, including in connection with the terms of any collateral access agreement whether with a landlord, processor, warehouse or other third party or any Control Agreement, and with respect to any such agreement delivered on or after the date hereof, Revolving Loan Agent shall notify the other parties thereto that it is no longer the "First Lien Agent", "Secured Party Representative", "Agent Representative", "Lender Representative" or such analogous representative party or otherwise entitled to act under such agreement and shall confirm to such parties that Term Loan Agent is thereafter the "First Lien Agent", "Secured Party Representative", "Agent Representative", or "Lender Representative" or such analogous representative party as any of such terms are used in any such agreement and is otherwise entitled to the rights of the secured party under such agreement. The foregoing provision shall not impose on Revolving Loan Agent or any other Revolving Loan Secured Party any obligations which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or other governmental authority or any applicable law.

(b) Upon the Discharge of Term Loan Priority Debt, to the extent permitted under applicable law, upon the request of Revolving Loan Agent, Term Loan Agent shall, without recourse or warranty, transfer the possession and control of the Shared Pledged Collateral, if any, then in its possession or control to Revolving Loan Agent, except in the event and to the extent (a) Term Loan Agent or any other Term Loan Secured Party has retained or otherwise acquired such Shared Pledged Collateral in full or partial satisfaction of any of the Term Loan Debt, (b) such Shared Pledged Collateral is sold or otherwise disposed of by Term Loan Agent or any other Term Loan Secured Party or by a U.S. Grantor as provided herein or (c) it is otherwise required by any order of any court or other governmental authority or applicable law or would result in the risk of liability of Term Loan Secured Party to any third party. In connection with any transfer described in the immediately preceding sentence to Revolving Loan Agent, Term Loan Agent agrees to take reasonable actions in its power (with all costs and expenses in connection therewith to be for the account of Revolving Loan Agent and to be paid by the U.S. Companies) as shall be reasonably requested by Revolving Loan Agent to permit Revolving Loan Agent to obtain, for the benefit of the Revolving Loan Secured Parties, a first priority security interest in the Shared Pledged Collateral. The foregoing provision shall not impose on Term Loan Agent or any other Term Loan Secured Party any obligations which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or other governmental authority or any applicable law.

(c) Each U.S. Grantor acknowledges and agrees to the delivery or transfer of control by Revolving Loan Agent to Term Loan Agent, and by Term Loan Agent to Revolving Loan Agent of any the Shared Pledged Collateral, in each case, in accordance with the terms of this Agreement, and waives and releases Revolving Loan Agent and the other Revolving Loan Secured Parties, and Term Loan Agent and the other Term Loan Secured Parties, from any liability as a result of such action.

Section 6. Insolvency Proceedings

6.1. General Applicability.

This Agreement shall be applicable both before and after the institution of any Insolvency Proceeding involving any Grantor, including, without limitation, the filing of any petition or the commencement of any proceeding by or against any Grantor under the Bankruptcy Code or under any other Bankruptcy Law and all converted or subsequent cases or proceedings in respect thereof, and all references herein to any Grantor shall be deemed to apply to the trustee, monitor, Receiver or similar official for such Grantor and such Grantor as debtor-in-possession. The relative rights of the Revolving Loan Secured Parties and the Term Loan Secured Parties under this Agreement in or to any distributions from or in respect of any Shared Collateral or Proceeds shall continue after the institution of any Insolvency Proceeding involving any Grantor, including, without limitation, the filing of any petition or the commencement of other similar proceeding by or against any Grantor under the Bankruptcy Code or under any other Bankruptcy Law and all converted cases or proceedings and subsequent cases, on the same basis as prior to the date of such institution, subject to any court order approving the financing of, or use of Revolving Loan Cash Collateral by, any Grantor as debtor-in-possession, or any other court order affecting the rights and interests of the parties hereto not in conflict with this Agreement; provided that notwithstanding the foregoing or any other provision herein to the contrary, any distribution of debt or equity obligations of any reorganized U.S. Grantor pursuant to a plan of reorganization on account of an allowed secured claim against such U.S. Grantor shall be deemed to be a distribution from or in respect of Shared Collateral or Proceeds for all purposes of this Agreement. This Agreement shall constitute a "subordination agreement" for the purposes of Section 510(a) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law and shall be enforceable in any Insolvency Proceeding in accordance with its terms.

6.2. Use of Cash Collateral; Bankruptcy Financing.

(a) If any U.S. Grantor becomes subject to any Insolvency Proceeding, until the Discharge of Revolving Loan Priority Debt has occurred, Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that each Term Loan Secured Party (i) will raise no objection to, nor support any other Person objecting to, and will be deemed to have consented to, the use of any Revolving Loan Priority Collateral constituting cash collateral under Section 363 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law ("Revolving Loan Cash Collateral"), or any post-petition financing under Section 364 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, whether provided by any Revolving Loan Secured Party or other Person, but in each case to the extent consented to by Revolving Loan Agent (a "Revolving Loan DIP Financing"), (ii) will not request or accept adequate protection or any other relief in connection with the use of such Revolving Loan Cash Collateral or such Revolving Loan DIP Financing except as set forth in Section 6.4 below, and (iii) will subordinate (and will be deemed hereunder to have subordinated) the Liens of Term Loan Agent or any other Term Loan Secured Parties on the Revolving Loan Priority Collateral (but not the Term Loan Priority Collateral) to (x) the Liens on the Revolving Loan Priority Collateral pursuant to such Revolving Loan DIP Financing, (y) any adequate protection provided to the Revolving Loan Secured Parties and (z) any professional fee and U.S. trustee fee "carve-out" consented to in writing by Revolving Loan Agent to be paid prior to the Discharge of Revolving Loan Priority Debt, in each case, on the same terms as the Liens of the Term Loan Secured Parties are subordinated hereunder to the Liens in the Revolving Loan Priority Collateral securing the Revolving Loan Debt (and such subordination will not alter in any manner the terms of this Agreement); provided, that:

(I) Revolving Loan Agent does not oppose or object to such use of cash collateral or Revolving Loan DIP Financing,

(II) the aggregate principal amount of the Revolving Loan DIP Financing plus the aggregate outstanding principal amount of loans and letters of credit included in the Revolving Loan Debt shall not exceed an amount equal to 115% of the aggregate commitments under the Revolving Loan Documents as in effect immediately before the commencement of such Insolvency Proceeding (or, if earlier, immediately prior to the suspension or termination of such commitments in accordance with the terms of the Revolving Loan Agreement),

(III) the Term Loan Secured Parties retain a Lien on the Shared Collateral (including Proceeds thereof arising after the commencement of such proceeding) with the same priority relative to the Liens on such Shared Collateral of Revolving Loan Agent as existed prior to the commencement of the case under the Bankruptcy Code or other Bankruptcy Law (junior in priority to the Liens securing such Revolving Loan DIP Financing and the existing Liens in favor of the Revolving Loan Agent on the Revolving Loan Priority Collateral but senior to the Liens of the Revolving Loan Agent (and the Liens securing the Revolving Loan DIP Financing) on the Term Loan Priority Collateral to the same extent as provided under Section 2.2),

(IV) Term Loan Agent receives, as security for the Term Loan Debt, additional or replacement Liens on all post-petition assets of any U.S. Grantor which are subject to an additional or replacement Lien to secure the Revolving Loan DIP Financing with same priority relative to the Liens of Revolving Loan Agent as existed prior to such Insolvency Proceeding to the extent Term Loan Agent seeks such Liens and is entitled to such additional or replacement Liens under the Bankruptcy Code or other applicable Bankruptcy Law (in each case junior to the additional or replacement Liens of the Revolving Loan Agent on the Revolving Loan Priority Collateral),

(V) all Liens on Revolving Loan Priority Collateral securing any such Revolving Loan DIP Financing shall be senior to or on a parity with the Liens of the Revolving Loan Agent and the Revolving Loan Secured Parties securing the Revolving Loan Obligations on Revolving Loan Priority Collateral,

(VI) such Revolving Loan DIP Financing does not require any Grantor to seek confirmation of a specific plan of reorganization other than a plan of reorganization that provides for satisfaction in full in cash of such Revolving Loan DIP Financing on or prior to the effective date of such plan,

(VII) such Revolving Loan DIP Financing or use of Revolving Loan Cash Collateral is subject to the terms of this Agreement, and

(VIII) the Term Loan Agent retains the right to object to any ancillary agreements or arrangements regarding the use of Revolving Loan Cash Collateral or the Revolving Loan DIP Financing that require a specific treatment of a claim in respect of the Term Loan Debt for purposes of a plan of reorganization or arrangement or proposal (provided that, in no event shall the foregoing be construed to give rise to the right to object to any of the rights and remedies that are customary for Revolving Loan Agent to receive as part of any order with respect to the use of Revolving Loan Cash Collateral or any such Revolving Loan DIP Financing).

For the avoidance of doubt, neither this Section 6.2(a) nor any other provision of this Agreement shall be deemed to be a consent by any of the Revolving Loan Secured Parties to the use of Revolving Loan Cash Collateral by the Term Loan Secured Parties, and any use of Revolving Loan Cash Collateral shall require the prior written consent of the Revolving Loan Agent. Notwithstanding the foregoing, it is agreed that neither the Revolving Loan Agent nor any other Revolving Loan Secured Party shall propose or consent to any Revolving Loan DIP Financing pursuant to this Section 6.2(a) that purports to be secured by a priming or pari passu lien on the Term Loan Priority Collateral without the consent of the Term Loan Agent. The Revolving Loan Agent, on behalf of itself and each other Revolving Loan Secured Party to whom it is acting as agent, agrees that, as a condition of any Revolving Loan DIP Financing or use of Revolving Loan Cash Collateral pursuant to this Section 6.2(a), until the Discharge of Term Loan Priority Debt has occurred, (1) all proceeds of the Term Loan Priority Collateral shall either (x) be remitted to the Term Loan Agent for application in accordance with Section 4.1(b) hereof or (y) only be used by U.S. Grantors subject to terms and conditions acceptable to the Term Loan Agent, and no portion of the Term Loan Priority Collateral shall be used to repay the Revolving Loan Debt outstanding as of the date of the commencement of any Insolvency Proceeding or any Revolving Loan Debt incurred thereafter pursuant to any such Revolving Loan DIP Financing or use of Revolving Loan Cash Collateral pursuant to this Section 6.2(a).

(b) If any U.S. Grantor becomes subject to any Insolvency Proceeding, until the Discharge of Term Loan Priority Debt has occurred, Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, agrees that each Revolving Loan Secured Party will (i) raise no objection to, nor support any other Person objecting to, and will be deemed to have consented to, the use of any Term Loan Priority Collateral constituting cash collateral under Section 363 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law ("Term Loan Cash Collateral"), or any post-petition financing under Section 364 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, whether provided by any Term Loan Secured Party or other Person, but in each case to the extent consented to by Term Loan Agent (a "Term Loan DIP Financing"), (ii) will not request or accept adequate protection or any other relief in connection with the use of such Term Loan Cash Collateral or such Term Loan DIP Financing except as set forth in Section 6.4 below, and (iii) will subordinate (and will be deemed hereunder to have subordinated) the Liens of Revolving Loan Agent or any other Revolving Loan Secured Parties on the Term Loan Priority Collateral (but not the Revolving Loan Priority Collateral or the Canadian Collateral) to (x) the Liens on the Term Loan Priority Collateral pursuant to such Term Loan DIP Financing, (y) any adequate protection provided to the Term Loan Secured Parties and (z) any professional fee and U.S. trustee fee "carve-out" consented to in writing by Term Loan Agent to be paid prior to the Discharge of Term Loan Priority Debt, in each case, on the same terms as the Liens of the Revolving Loan Secured Parties are subordinated hereunder to the Liens in the Term Loan Priority Collateral securing the Term Loan Debt (and such subordination will not alter in any manner the terms of this Agreement); provided, that:

(I) Term Loan Agent does not oppose or object to such use of cash collateral or Term Loan DIP Financing,

(II) the aggregate principal amount of the Term Loan DIP Financing plus the aggregate outstanding principal amount of Term Loan Debt shall not exceed 115% of the aggregate principal amount of loans included in the Term Loan Debt outstanding immediately before the commencement of such Insolvency Proceeding,

(III) the Revolving Loan Secured Parties retain a Lien on the Shared Collateral (including Proceeds thereof arising after the commencement of such proceeding) with the same priority relative to the Liens on such Shared Collateral of Term Loan Agent as existed prior to the commencement of the case under the Bankruptcy Code or other Bankruptcy Law (junior in priority to the Liens securing such Term Loan DIP Financing and the existing Liens in favor of the Term Loan Agent on the Term Loan Priority Collateral but senior to the Liens of the Term Loan Agent (and the Liens securing the Term Loan DIP Financing) on the Revolving Loan Priority Collateral to the same extent as provided under Section 2.2),

(IV) Revolving Loan Agent receives, as security for the Revolving Loan Debt, additional or replacement Liens on all post-petition assets of any U.S. Grantor which are subject to an additional or replacement Lien to secure the Term Loan DIP Financing with same priority relative to the Liens of Term Loan Agent as existed prior to such Insolvency Proceeding to the extent Revolving Loan Agent seeks such Liens and is entitled to such additional or replacement Liens under the Bankruptcy Code or other applicable Bankruptcy Law (in each case junior to the additional or replacement Liens of the Term Loan Agent on the Term Loan Priority Collateral),

(V) all Liens on Term Loan Priority Collateral securing any such Term Loan DIP Financing shall be senior to or on a parity with the Liens of the Term Loan Agent and the Term Loan Secured Parties securing the Term Loan Obligations on Term Loan Priority Collateral,

(VI) such Term Loan DIP Financing does not require any U.S. Grantor to seek confirmation of a specific plan of reorganization other than a plan of reorganization that provides for satisfaction in full in cash of such Term Loan DIP Financing on or prior to the effective date of such plan,

(VII) such Term Loan DIP Financing or use of Term Loan Cash Collateral is subject to the terms of this Agreement, and

(VIII) the Revolving Loan Agent retains the right to object to any ancillary agreements or arrangements regarding the use of Term Loan Cash Collateral or the Term Loan DIP Financing that require a specific treatment of a claim in respect of the Revolving Loan Debt for purposes of a plan of reorganization or arrangement or proposal (provided that, in no event shall the foregoing be construed to give rise to the right to object to any of the rights and remedies that are customary for Term Loan Agent to receive as part of any order with respect to the use of Term Loan Cash Collateral or any such Term Loan DIP Financing).

For the avoidance of doubt, neither this Section 6.2(b) nor any other provision of this Agreement shall be deemed to be a consent by any of the Term Loan Secured Parties to the use of Term Loan Cash Collateral by the Revolving Loan Secured Parties, and any use of Term Loan Cash Collateral shall require the prior written consent of the Term Loan Agent. Notwithstanding the foregoing, it is agreed that neither the Term Loan Agent nor any other Term Loan Secured Party shall propose or consent to any Term Loan DIP Financing pursuant to this Section 6.2(b) that purports to be secured by a priming or pari passu lien on the Revolving Loan Priority Collateral or the Canadian Collateral without the consent of the Revolving Loan Agent. Each Term Loan Agent, on behalf of itself and each other Term Loan Secured Party to whom it is acting as agent, agrees that, as a condition of any Tern Loan DIP Financing or use of Term Loan Cash Collateral pursuant to this Section 6.2(b), until the Discharge of Revolving Loan Priority Debt has occurred, (1) all proceeds of the Revolving Loan Priority Collateral shall either (x) be remitted to the Revolving Loan Agent for application in accordance with Section 4.1(a) hereof or (y) only be used by U.S. Grantors subject to terms and conditions acceptable to the Revolving Loan Agent, and no portion of the Revolving Loan Priority Collateral shall be used to repay the Term Loan Debt outstanding as of the date of the commencement of any Insolvency Proceeding or any Term Loan Debt incurred thereafter pursuant to any such Tern Loan DIP Financing or use of Term Loan Cash Collateral pursuant to this Section 6.2(b).

(c) Neither the Revolving Loan Agent nor any Revolving Loan Secured Party shall, directly or indirectly, provide, or seek to provide, or support any other Person providing or seeking to provide, the use of Revolving Loan Cash Collateral or Revolving Loan DIP Financing secured by Liens equal or senior in priority to the Liens on the Term Loan Priority Collateral (including any assets or property arising after the commencement of an Insolvency Proceeding) of the Term Loan Agent. Neither the Term Loan Agent nor any Term Loan Secured Party, shall, directly or indirectly, provide, or seek to provide, or support any other Person providing or seeking to provide, the use of Term Loan Cash Collateral or Term Loan DIP Financing secured by Liens equal or senior in priority to the Liens on the Revolving Loan Priority Collateral (including any assets or property arising after the commencement of any Insolvency Proceeding) of the Revolving Loan Agent.

(d) Discharge of the Revolving Loan Debt and Discharge of the Revolving Loan Priority Debt shall not be deemed to have occurred under this Agreement if such debt is Refinanced by a Revolving Loan DIP Financing agented by the Revolving Loan Agent permitted under this Section 6.2.

6.3. Relief from the Automatic Stay.

(a) So long as the Discharge of Revolving Loan Priority Debt has not occurred, neither the Term Loan Agent nor any of the Term Loan Secured Parties will seek relief from the automatic stay or any other stay in any Insolvency Proceeding in respect of any part of the Revolving Loan Priority Collateral, any Proceeds thereof or any Lien thereon securing any of the Term Loan Debt; provided, however, that in the event that any or all of the Revolving Loan Agent and the Revolving Loan Secured Parties have obtained relief from the automatic stay or any other stay with respect to any Revolving Loan Priority Collateral, any or all of the Term Loan Agent and Term Loan Secured Parties may seek corresponding relief from the automatic stay or any other stay with respect to such Revolving Loan Priority Collateral for purposes of joining in a foreclosure or other Enforcement Action commenced by any of the Revolving Loan Secured Parties against any Revolving Loan Priority Collateral (even if the Term Loan Standstill Period has not expired) so long as the Term Loan Agent and/or Term Loan Secured Parties do not hinder, delay or interfere with either the efforts by the Revolving Loan Agent and/or Revolving Loan Secured Parties to obtain relief from the automatic stay or any other stay with respect to such Revolving Loan Priority Collateral or to exercise any rights or remedies against such Revolving Loan Priority Collateral.

(b) So long as the Discharge of Term Loan Priority Debt has not occurred, neither the Revolving Loan Agent nor any of the Revolving Loan Secured Parties will seek any relief from the automatic stay or any other stay in any Insolvency Proceeding in respect of any part of the Term Loan Priority Collateral, any Proceeds thereof or any Lien thereon securing any of the Revolving Loan Debt; provided, however, that in the event that any or all of the Term Loan Agent and the Term Loan Secured Parties have obtained relief from the automatic stay or any other stay with respect to any Term Loan Priority Collateral, any or all of the Revolving Loan Agent and Revolving Loan Secured Parties may seek corresponding relief from the automatic stay or any other stay with respect to such Term Loan Priority Collateral for purposes of joining in a foreclosure or other Enforcement Action commenced by any of the Term Loan Secured Parties against the Term Loan Priority Collateral (even if the Revolving Loan Standstill Period has not expired) so long as the Revolving Loan Agent and/or Revolving Loan Secured Parties do not hinder, delay or interfere with either the efforts by the Term Loan Agent and/or Term Secured Parties to obtain relief from the automatic stay or any other stay with respect to such Term Loan Priority Collateral or to exercise any rights or remedies against such Term Loan Priority Collateral.

6.4. Adequate Protection.

(a) (i) The Term Loan Agent, on behalf of itself and the other Term Loan Secured Parties, agrees that none of them shall contest (or support any other Person contesting), in their capacities as secured creditors, any objection by the Revolving Loan Agent or the other Revolving Loan Secured Parties to any motion, relief, action or proceeding based on the Revolving Loan Agent or the other Revolving Loan Secured Parties claiming a lack of adequate protection with respect to Liens on Revolving Loan Priority Collateral in a manner that does not contravene terms of this Agreement.

(ii) The Revolving Loan Agent, on behalf of itself and the other Revolving Loan Secured Parties, agrees that none of them shall contest (or support any other Person contesting), in their capacities as secured creditors, any objection by the Term Loan Agent or the other Term Loan Secured Parties to any motion, relief, action or proceeding based on the Term Loan Agent or the other Term Loan Secured Parties claiming a lack of adequate protection with respect to Liens on Term Loan Priority Collateral in a manner that does not contravene terms of this Agreement.

(b) Notwithstanding anything to the contrary in Section 6.4(a), in any Insolvency Proceeding:

(i) if any or all of the Revolving Loan Secured Parties are granted adequate protection in the form of additional collateral in connection with any use of Revolving Loan Cash Collateral or a Revolving Loan DIP Financing and such additional collateral is provided by a U.S. Grantor and is of the type of asset or property that would constitute Revolving Loan Priority Collateral, then the Term Loan Agent, on behalf of itself or any of the Term Loan Secured Parties, may seek or request adequate protection in the form of a Lien on such additional collateral, which Lien will be subordinated to the Liens securing the Revolving Loan Debt and such use of Revolving Loan Cash Collateral or Revolving Loan DIP Financing (and all obligations relating thereto) on the same basis as the other Liens on Revolving Loan Priority Collateral securing the Term Loan Debt are so subordinated to the Liens on Revolving Loan Priority Collateral securing the Revolving Loan Debt under this Agreement;

(ii) if any or all of the Term Loan Secured Parties are granted adequate protection in the form of additional collateral in connection with any use of Term Loan Cash Collateral or a Term Loan DIP Financing and such additional collateral is provided by a U.S. Grantor and is of the type of asset or property that would constitute Term Loan Priority Collateral, then the Revolving Loan Agent, on behalf of itself or any of the Revolving Loan Secured Parties, may seek or request adequate protection in the form of a Lien on such additional collateral, which Lien will be subordinated to the Liens securing the Term Loan Debt and such use of Term Loan Cash Collateral or Term Loan DIP Financing (and all obligations relating thereto) on the same basis as the other Liens on Term Loan Priority Collateral securing the Revolving Loan Debt are so subordinated to the Liens on Term Loan Priority Collateral securing the Term Loan Debt under this Agreement;

(iii) in the event the Revolving Loan Agent, on behalf of itself or any other Revolving Loan Secured Parties, seeks or requests adequate protection in respect of Revolving Loan Debt and such adequate protection is granted in the form of additional collateral provided by a U.S. Grantor and is of a type of asset or property that would constitute Term Loan Priority Collateral, then the Revolving Loan Agent, on behalf of itself and the other Revolving Loan Secured Parties, agrees that the Term Loan Agent shall also be granted a Lien on such additional collateral as security for the Term Loan Debt and for any use of Term Loan Cash Collateral or Term Loan DIP Financing and that any Lien on such additional collateral securing the applicable Revolving Loan Debt shall be subordinated to the Lien on such collateral securing the Term Loan Debt and any such use of Term Loan Cash Collateral or Term Loan DIP Financing (and all obligations relating thereto) and to any other Liens granted to the Term Loan Secured Parties as adequate protection on the same basis as the other Liens on Term Loan Priority Collateral securing the Revolving Loan Debt are so subordinated to the Liens on Term Loan Priority Collateral securing the Term Loan Debt under this Agreement; and

(iv) in the event the Term Loan Agent, on behalf of itself or any other Term Loan Secured Parties, seeks or requests adequate protection in respect of Term Loan Debt and such adequate protection is granted in the form of additional collateral provided by a U.S. Grantor and is of a type of asset or property that would constitute Revolving Loan Priority Collateral, then the Term Loan Agent, on behalf of itself and the other Term Loan Secured Parties, agrees that the Revolving Loan Agent shall also be granted a Lien on such additional collateral as security for the Revolving Loan Debt and for any use of Revolving Loan Cash Collateral or Revolving Loan DIP Financing and that any Lien on such additional collateral securing the applicable Term Loan Debt shall be subordinated to the Lien on such collateral securing the Revolving Loan Debt and any such use of Revolving Loan Cash Collateral or Revolving Loan DIP Financing (and all obligations relating thereto) and to any other Liens granted to the Revolving Loan Secured Parties as adequate protection on the same basis as the other Liens on Revolving Loan Priority Collateral securing the Term Loan Debt are so subordinated to the Liens on Revolving Loan Priority Collateral securing the Revolving Loan Debt under this Agreement.

(c) Any adequate protection granted in favor of any Revolving Loan Secured Party with respect to the Revolving Loan Priority Collateral or any Term Loan Secured Party with respect to the Term Loan Priority Collateral in the form of a superpriority or other administrative expense claim and any claim in favor of such Secured Party arising under Section 507(b) of the Bankruptcy Code (or similar Bankruptcy Law) ("Senior 507(b) Claims"), shall be *pari passu* with the grant of adequate protection in favor of the other Revolving Loan Secured Parties with respect to the Revolving Loan Priority Collateral or the other Term Loan Secured Parties with respect to the Term Loan Priority Collateral in the form of a superpriority or other administrative expense claim. Any claim arising under Section 507(b) of the Bankruptcy Code in favor of any Revolving Loan Secured Party with respect to the Term Loan Priority Collateral or any Term Loan Secured Party with respect to the Revolving Loan Priority Collateral shall be *pari passu* with the claims arising under Section 507(b) of the Bankruptcy Code (or similar Bankruptcy Law) in favor of the other Revolving Loan Secured Parties with respect to the Term Loan Priority Collateral or the other Term Loan Secured Parties with respect to the Revolving Loan Priority Collateral (collectively, "Junior 507(b) Claims"), all Junior 507(b) Claims shall be junior and subordinate in right of payment to the Senior 507(b) Claims, and the holders of the Junior 507(b) Claims agree that, in connection with any plan of reorganization in such Insolvency Proceeding, such Junior 507(b) Claims may be paid in any combination of cash, securities, or other property having a present value equal to the amount of such Junior 507(b) Claims as of the effective date of confirmation of such plan.

(d) Except as otherwise provided in this Section 6.4, (i) no Revolving Loan Secured Party may seek or assert any right it may have for adequate protection of its interest in the Term Loan Priority Collateral without the prior written consent of the requisite Term Loan Lenders under the Term Loan Agreement, and (ii) no Term Loan Secured Party may seek or assert any right it may have for adequate protection of its interest in the Revolving Loan Priority Collateral without the written consent of the requisite Revolving Loan Lenders under the Revolving Loan Agreement.

6.5. Reorganization Securities.

If, in any Insolvency Proceeding, debt obligations of any reorganized U.S. Grantor secured by Liens upon any property of such reorganized U.S. Grantor are distributed, pursuant to a plan of reorganization or arrangement or proposal, on account of both the Revolving Loan Debt and the Term Loan Debt, then, to the extent the debt obligations distributed on account of the Revolving Loan Debt and on account of the Term Loan Debt are secured by Liens upon the same assets or property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.6. Separate Grants of Security and Separate Classes.

Each of the parties hereto irrevocably acknowledges and agrees that (a) the claims and interests of the Revolving Loan Secured Parties and the Term Loan Secured Parties are not "substantially similar" within the meaning of Section 1122 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, (b) the grants of the Liens to secure the Revolving Loan Debt and the grants of the Liens to secure the Term Loan Debt constitute separate and distinct grants of Liens, (c) the Revolving Loan Secured Parties' rights in the Shared Collateral are fundamentally different from the Term Loan Secured Parties' rights in the Shared Collateral and (d) as a result of the foregoing, among other things, the Revolving Loan Debt and the Term Loan Debt shall be separately classified in any plan of reorganization or arrangement or proposal proposed or adopted in any Insolvency Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the Revolving Loan Secured Parties and the Term Loan Secured Parties in respect of the Shared Collateral constitute claims in the same class (rather than separate classes of secured claims), then the Revolving Loan Secured Parties and the Term Loan Secured Parties hereby acknowledge and agree that all distributions made on account of the Shared Collateral shall be made as if there were separate classes of Revolving Loan Debt and Term Loan Debt against the Grantors (with the effect being that, to the extent that the aggregate value of the Revolving Loan Priority Collateral or Term Loan Priority Collateral is sufficient (for this purpose ignoring all claims held by the other Secured Parties for whom such Shared Collateral is non-priority in accordance with Section 2.1 and Section 2.2 hereof), the Revolving Loan Secured Parties or the Term Loan Secured Parties, respectively, shall be entitled to receive from such party's pool of priority Shared Collateral, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing (or that would be owing if there were such separate classes of secured claims) in respect of post-petition interest, fees or expenses that is available from each pool of priority Shared Collateral for each of the Revolving Loan Secured Parties and the Term Loan Secured Parties, respectively, before any distribution is made from such pool of priority Shared Collateral in respect of the claims held by the other Junior Secured Parties) with such Junior Secured Parties hereby acknowledging and agreeing to turn over to the respective other Secured Parties amounts otherwise received or receivable by them from such pool of priority Shared Collateral to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the aggregate recoveries.

6.7. Asset Dispositions.

(a) Until the Discharge of Revolving Loan Priority Debt has occurred, the Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that, in the event of any Insolvency Proceeding, the Term Loan Secured Parties will not object or oppose (or support any Person in objecting or opposing) a motion for any Disposition of any Revolving Loan Priority Collateral (to the extent that such sale or Disposition does not include any Term Loan Priority Collateral) free and clear of the Liens of Term Loan Agent and the other Term Loan Secured Parties or other claims under Sections 363, 365 or 1129 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, and shall be deemed to have consented to any such Disposition of any Revolving Loan Priority Collateral under Section 363(f) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law that has been consented to by the Revolving Loan Agent; provided, that, the Proceeds of such Disposition to be applied to the Revolving Loan Debt or the Term Loan Debt are applied in accordance with Sections 4.1 and 4.2.

(b) Until the Discharge of Term Loan Priority Debt has occurred, the Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, agrees that, in the event of any Insolvency Proceeding, the Revolving Loan Secured Parties will not object or oppose (or support any Person in objecting or opposing) a motion to any Disposition of any Term Loan Priority Collateral (to the extent that such sale or Disposition does not include any Revolving Loan Priority Collateral) free and clear of the Liens of Revolving Loan Agent and the other Revolving Loan Secured Parties or other claims under Sections 363, 365 or 1129 of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law, and shall be deemed to have consented to any such Disposition of any Term Loan Priority Collateral under Section 363(f) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law that has been consented to by the Term Loan Agent; provided, that, the Proceeds of such Disposition to be applied to the Term Loan Debt or the Revolving Loan Debt are applied in accordance with Sections 4.1 and 4.2.

(c) The Term Loan Secured Parties agree that the Revolving Loan Secured Parties shall have the right to credit bid under Section 363(k) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law with respect to, or otherwise object to any Disposition of, the Revolving Loan Priority Collateral, and the Revolving Loan Secured Parties agree that the Term Loan Secured Parties shall have the right to credit bid under Section 363(k) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law with respect to, or otherwise object to any Disposition of, the Term Loan Priority Collateral; provided, that, the Secured Parties shall not be deemed to have agreed to any credit bid by other Secured Parties in connection with the Disposition of Shared Collateral consisting of both Term Loan Priority Collateral and Revolving Loan Priority Collateral. The Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that, so long as the Discharge of Revolving Loan Priority Debt has not occurred, no Term Loan Secured Party shall, without the prior written consent of the Revolving Loan Agent, credit bid under Section 363(k) of the Bankruptcy Code with respect to the Revolving Loan Priority Collateral. The Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, agrees that, so long as the Discharge of Term Loan Priority Debt has not occurred, no Revolving Loan Secured Party shall, without the prior written consent of the Term Loan Agent, credit bid under Section 363(k) of the Bankruptcy Code with respect to the Term Loan Priority Collateral.

6.8. Certain Waivers as to Section 1111(b)(2) of Bankruptcy Code.

Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, waives any claim any Term Loan Secured Party may hereafter have against any Revolving Loan Secured Party arising out of the election by any Revolving Loan Secured Party of the application of Section 1111(b)(2) of the Bankruptcy Code, or any comparable provision of any other Bankruptcy Law. Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, waives any claim they may hereafter have against any Term Loan Secured Party arising out of the election by any Term Loan Secured Party of the application of Section 1111(b)(2) of the Bankruptcy Code or any comparable provision of any other Bankruptcy Law.

Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, agrees that none of them shall assert or enforce (or support any Person asserting or enforcing) any claim under Section 506(c) of the Bankruptcy Code or any comparable provision of other applicable Bankruptcy Law pari passu with or senior to the Liens on the Revolving Loan Priority Collateral securing the Revolving Loan Priority Debt for costs or expenses of preserving or disposing any Revolving Loan Priority Collateral. Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, agrees that none of them shall assert or enforce (or support any Person asserting or enforcing) any claim under Section 506(c) of the Bankruptcy Code or any comparable provision of other applicable Bankruptcy Law pari passu with or senior to the Liens on the Term Loan Priority Collateral securing the Term Loan Priority Debt for costs or expenses of preserving or disposing any Term Loan Priority Collateral.

6.9. Avoidance Issues.

If any Revolving Loan Secured Party is required in any Insolvency Proceeding or otherwise to turn over or otherwise pay to the estate of any U.S. Grantor or any other Person any amount (a "Recovery"), then the Revolving Loan Debt shall be reinstated to the extent of such Recovery and the Revolving Loan Secured Parties shall be entitled to a Discharge of Revolving Loan Priority Debt with respect to all such recovered amounts. If any Term Loan Secured Party is required in any Insolvency Proceeding or otherwise to turn over or otherwise pay to the estate of any U.S. Grantor or any other Person any Recovery, then the Term Loan Debt shall be reinstated to the extent of such Recovery and the Term Loan Secured Parties shall be entitled to a Discharge of Term Loan Priority Debt with respect to all such recovered amounts. If this Agreement shall have been terminated prior to any Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto from such date of reinstatement.

6.10. Other Bankruptcy Laws.

In the event that an Insolvency Proceeding is filed in a jurisdiction other than the United States or is governed by any Bankruptcy Law other than the Bankruptcy Code, each reference in this Agreement to a section of the Bankruptcy Code shall be deemed to refer to the substantially similar or corresponding provision of the Bankruptcy Law applicable to such Insolvency Proceeding, or, in the absence of any specific similar or corresponding provision of Bankruptcy Law, such other general Bankruptcy Law as may be applied in order to achieve substantially the same result as would be achieved under each applicable section of the Bankruptcy Code.

6.11. Certain Voting Rights.

(a) The Term Loan Agent, on behalf of itself and the other Term Loan Secured Parties, agrees that none of them shall, without the consent of the Revolving Loan Agent, directly or indirectly propose, support or vote in favor of any plan of reorganization in connection with an Insolvency Proceeding that would provide the Revolving Loan Secured Parties with debt obligations of any reorganized U.S. Grantor bearing a below-market interest rate.

(b) The Revolving Loan Agent, on behalf of itself and the other Revolving Loan Secured Parties, agrees that none of them shall, without the consent of the Term Loan Agent, directly or indirectly propose, support or vote in favor of any plan of reorganization in connection with an Insolvency Proceeding that would provide the Term Loan Secured Parties with debt obligations of any reorganized U.S. Grantor bearing a below-market interest rate.

Section 7. Term Loan Lenders' Purchase Option

7.1. Exercise of Option.

On or after the occurrence and during the continuance of (i) a Revolving Loan Event of Default under Section 11.1(a) of the Revolving Loan Agreement, (ii) the acceleration of all or any portion of the Revolving Loan Debt, (iii) the commencement of an Insolvency Proceeding of any Grantor, (iv) the termination by the Revolving Loan Lenders of their commitment to provide loans to the Revolving Loan Borrowers under the Revolving Loan Agreement (other than as result of a voluntary reduction thereof by the Revolving Loan Borrowers prior to the occurrence of a Revolving Loan Event of Default), (v) the cessation by the Revolving Loan Agent or the Revolving Loan Lenders of the funding of loans to the Revolving Loan Borrowers under the Revolving Loan Agreement for a period of more than thirty consecutive Business Days following any Revolving Loan Default, (vi) the commencement of any Enforcement Action by the Revolving Loan Secured Parties Creditors with respect to a material portion of the Collateral, or (vii) the expiration of the Term Loan Standstill Period (each a "Term Loan Purchase Event"), one or more of the Term Loan Secured Parties (the "Purchasing Term Loan Secured Parties") shall have the option for a period of fifteen (15) Business Days after a Term Loan Purchase Event, upon no less than five (5) Business Days' and no more than ten (10) Business Days' prior written notice by Term Loan Agent to Revolving Loan Agent, to purchase all (but not less than all (other than with respect to the Revolving Loan Excess Debt, in relation to which the Term Loan Secured Parties may elect to purchase none of such Revolving Loan Excess Debt or all or any other proportion of such Revolving Loan Excess Debt) of the Revolving Loan Debt from the Revolving Loan Secured Parties and to assume all of the commitments and duties of the Revolving Loan Secured Parties. Such notice from Term Loan Agent to Revolving Loan Agent shall be irrevocable. Upon the delivery of any such notice from Term Loan Agent to Revolving Loan Agent, neither the Revolving Loan Agent nor any other Revolving Loan Secured Party shall, without the consent of Term Loan Agent commence or continue any Enforcement Action during the period beginning on the date of delivery of such notice and ending on the date of closing of the purchase and sale contemplated in this Section 7. The obligations of Revolving Loan Secured Parties hereunder to sell the Revolving Loan Debt owing to them are several and not joint and several. Each Grantor irrevocably consents to such sale.

7.2. Pro Rata Offer.

The Term Loan Secured Parties agree, solely as among themselves, that upon the occurrence of any Term Loan Purchase Event, the Term Loan Agent shall send a notice to all Term Loan Secured Parties giving each Term Loan Secured Party the option to purchase at least its pro rata share of the Revolving Loan Debt. No Term Loan Secured Party shall be required to participate in any purchase offer hereunder, and each Term Loan Secured Party acknowledges and agrees that a purchase offer may be made by any or all of the Term Loan Secured Parties, subject to the requirements of the preceding sentence. The provisions of this Section 7.2 are intended solely for the benefit of the Term Loan Secured Parties and may be modified, amended or waived by them without the approval of any Grantor, any Revolving Loan Secured Party, or otherwise.

7.3. Purchase and Sale.

On the date specified by Term Loan Agent in such notice (which shall not be less than five (5) Business Days, nor more than ten (10) Business Days, after the receipt by Revolving Loan Agent of the notice from Term Loan Agent of its election to exercise such option), Revolving Loan Secured Parties shall, subject to any required approval of any court or other regulatory or governmental authority then in effect, if any, sell to such of the Purchasing Term Loan Secured Parties as are specified in the notice from Term Loan Agent of its election to exercise such option, and such Purchasing Term Loan Secured Parties shall purchase from Revolving Loan Secured Parties, all of the Revolving Loan Debt (other than with respect to the Revolving Loan Excess Debt, in relation to which the Term Loan Secured Parties may elect to purchase none of such Revolving Loan Excess Debt or all or any other proportion of such Revolving Loan Excess Debt). Notwithstanding anything to the contrary contained herein, in connection with any such purchase and sale, Revolving Loan Secured Parties shall retain all rights under the Revolving Loan Documents to be indemnified or held harmless by Grantors in accordance with the terms thereof. In connection with any such purchase and sale, each Revolving Loan Lender and each Purchasing Term Loan Secured Party shall execute and deliver an assignment and acceptance agreement, in form reasonably acceptable to all parties thereto, pursuant to which, among other things, each Revolving Loan Lender shall assign to the Purchasing Term Loan Secured Parties such Revolving Loan Lender's pro rata share of the commitments and Revolving Loan Debt. Upon the consummation of such purchase and sale, Revolving Loan Agent shall resign as the "Agent" under the Revolving Loan Documents and upon the written request of Term Loan Agent, and at the expense of Term Loan Secured Parties, shall take reasonable actions in its power to execute and deliver all such documents and instruments reasonably requested by Term Loan Agent and/or Purchasing Term Loan Secured Parties to assign and transfer any Collateral to the applicable successor Agent under the Revolving Loan Documents.

7.4. Payment of Purchase Price.

(a) Upon the date of such purchase and sale, the Purchasing Term Loan Secured Parties shall (i) pay to Revolving Loan Agent for the account of the Revolving Loan Secured Parties as the purchase price therefor the full amount of all of the Revolving Loan Debt (other than with respect to the Revolving Loan Excess Debt, in relation to which the Term Loan Secured Parties may elect to purchase none of such Revolving Loan Excess Debt or all or any other proportion of such Revolving Loan Excess Debt) then outstanding and unpaid (including principal, interest, fees and expenses, and including reasonable attorneys' fees and legal expenses (including any such amounts which would accrue and become due but for the commencement of an Insolvency Proceeding, whether or not such amounts are allowed or allowable in whole or in part in such case)), (ii) furnish cash collateral to Revolving Loan Agent in such amounts as Revolving Loan Agent determines is reasonably necessary to secure Revolving Loan Secured Parties in connection with any issued and outstanding letters of credit, banker's acceptances or similar instruments issued under the Revolving Loan Documents (but not in any event in an amount greater than one hundred five (105%) percent of the aggregate undrawn face amount of such letters of credit, banker's acceptances and similar instruments) and Bank Product Obligations (or at the option of the Revolving Loan Secured Party with respect to such Bank Product Obligations, terminate the applicable Hedging Obligations or Cash Management Obligations and make all payments pursuant thereto, as applicable) and in respect of indemnification obligations of Grantors under the Revolving Loan Documents as to matters or circumstances known to Revolving Loan Secured Parties and disclosed in writing to Term Loan Agent (unless such disclosure is not permitted under applicable law) at the time of the purchase and sale which would reasonably be expected to result in any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) to Revolving Loan Secured Parties, and (iii) agree to reimburse Revolving Loan Secured Parties for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) incurred within 90 days following such purchase in connection with any commissions, fees, costs or expenses related to any issued and outstanding letters of credit, banker's acceptances and similar instruments as described above and any checks, ACH transfers or other payments provisionally credited to the Revolving Loan Debt, and/or as to which Revolving Loan Secured Parties have not yet received final payment. The purchase price payable under this clause (a) (and any other amounts payable in respect thereof) shall be denominated and payable in U.S. Dollars. To the extent any portion of the Revolving Loan Debt (or other amounts) shall be denominated in Canadian Dollars (or any other currency other than U.S. Dollars), then, for the purposes of determining the purchase price (or other amounts) hereunder, such portion of such Revolving Loan Debt (or other amounts) shall be deemed to be equal to the Dollar Equivalent (as defined in the Revolving Loan Agreement as in effect on the date hereof) thereof.

(b) Such purchase price and cash collateral shall be remitted by wire transfer in federal funds to such bank account of Revolving Loan Agent as Revolving Loan Agent may designate in writing to Term Loan Agent for such purpose. Interest shall be calculated to but excluding the Business Day on which such purchase and sale shall occur if the amounts so paid by the Purchasing Term Loan Secured Parties to the bank account designated by Revolving Loan Agent are received in such bank account prior to 12:00 noon, New York City, New York time and interest shall be calculated to and including such Business Day if the amounts so paid by the Purchasing Term Loan Secured Parties to the bank account designated by Revolving Loan Agent are received in such bank account later than 12:00 noon, New York City, New York time.

(c) In the event that the Purchasing Term Loan Secured Parties exercise and consummate the purchase option set forth in Section 7.1, (i) the Revolving Loan Secured Parties shall retain their indemnification rights under the Revolving Loan Agreement for actions or other matters arising on or prior to the date of such purchase, and (ii) and in the event that, at the time of such purchase, (x) there exists Revolving Loan Excess Debt, and (y) in connection with the consummation of such purchase option, the Purchasing Term Loan Secured Parties do not purchase such Revolving Loan Excess Debt in accordance with this Section 7.1, then the Revolving Loan Secured Parties shall retain their interest in such unpurchased Revolving Loan Excess Debt (and, accordingly, in such event the purchase price shall be calculated without respect to such Revolving Loan Excess Debt) (clauses (i) and (ii) (if applicable), the "Retained Interest").

(d) In the event that a Retained Interest exists, each Revolving Loan Secured Party shall, at the request of the Purchasing Term Loan Secured Parties, execute an amendment to the Revolving Loan Agreement acknowledging that such Retained Interest is a last-out tranche, payable after Discharge of Term Loan Priority Debt (other than the Term Loan Excess Debt). Interest with respect to such Retained Interest consisting of Revolving Loan Excess Debt shall continue to accrue and be payable in accordance with the terms of the Revolving Loan Agreement, the Retained Interest shall continue to be secured by the Collateral, and the Retained Interest shall be paid (or cash collateralized, as applicable) in accordance with the terms of the Revolving Loan Agreement and this Agreement. To the extent of the Retained Interest, each Revolving Loan Secured Party shall continue to have all rights and remedies of a lender under the Revolving Loan Agreement and the other Revolving Loan Documents; provided, that no Revolving Loan Secured Party shall have any right to vote on or otherwise consent to any amendment, waiver, departure from, or other modification of any provision of any Revolving Loan Debt except that the consent of Revolving Loan Agent shall be required for (i) those matters that require the agreement of all lenders under Section 15.5(a) of the Revolving Loan Agreement as in effect on the date hereof to the extent such matter would affect the Retained Interest and (ii) matters in contravention of the provisions and priorities set forth in this Agreement.

7.5. Representations Upon Purchase and Sale.

Such purchase and sale shall be expressly made without representation or warranty of any kind by Revolving Loan Agent or any Revolving Loan Secured Party as to the Revolving Loan Debt or otherwise and without recourse to the Revolving Loan Agent and the other Revolving Loan Secured Parties; except, that, each Revolving Loan Secured Party that is transferring such Revolving Loan Debt shall represent and warrant, severally as to it: (a) the amount of the Revolving Loan Debt being purchased from it is as reflected in the books and records of such Revolving Loan Secured Party (but without representation or warranty as to the collectability, validity or enforceability thereof), (b) that such Revolving Loan Secured Party owns the Revolving Loan Debt being sold by it free and clear of any liens or encumbrances and (c) such Revolving Loan Secured Party has the right to assign the Revolving Loan Debt being sold by it and the assignment is duly authorized.

7.6. Notice from Revolving Loan Agent Prior to Enforcement Action.

In the absence of Exigent Circumstances, Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, agrees that it will deliver an Enforcement Notice to the Term Loan Agent five (5) Business Days prior to commencing any Enforcement Action with respect to the Revolving Loan Priority Collateral or a material part of the Canadian Collateral. In the event that during such five (5) Business Day period, Term Loan Agent shall send to Revolving Loan Agent the irrevocable notice of the Term Loan Secured Parties' intention to exercise the purchase option given by the Revolving Loan Secured Parties to the Term Loan Secured Parties under this Section 7, the Revolving Loan Secured Parties shall not commence any foreclosure or other action to sell or otherwise realize upon the Revolving Loan Priority Collateral or such material part of the Canadian Collateral; provided, that, the purchase and sale with respect to the Revolving Loan Debt provided for herein shall have closed within five (5) Business Days after the receipt by Revolving Loan Agent of the irrevocable notice from Term Loan Agent.

Section 8. [Reserved].

Section 9. Access and Use of Term Loan Priority Collateral

9.1. Access and Use Rights of Revolving Loan Agent.

(a) In the event that Term Loan Agent shall acquire control or possession of any of the Term Loan Priority Collateral or shall, through the exercise of remedies under the Term Loan Documents or otherwise, sell any of the Term Loan Priority Collateral to any third party (a "Third Party Purchaser"), Term Loan Agent shall permit Revolving Loan Agent (or require as a condition of such sale to the Third Party Purchaser that the Third Party Purchaser agree to permit the Revolving Loan Agent), at Revolving Loan Agent's option and in accordance with applicable law, and at the expense of the Revolving Loan Secured Parties (including third-party expenses related thereto, including costs with respect to heat, light, electricity, water, natural gas, other utility, security, labor and real property taxes with respect to that portion of any premises so used or occupied, in each case to the extent not paid for by the Grantors) (reimbursable to Revolving Loan Secured Parties by Grantors): (a) to enter any or all of the Term Loan Priority Collateral under such control or possession (or sold to a Third Party Purchaser) during normal business hours in order to inspect or remove the Revolving Loan Priority Collateral or the Canadian Collateral or to enforce Revolving Loan Agent's rights with respect thereto, including, but not limited to, the examination and removal of Revolving Loan Priority Collateral and the Canadian Collateral and the examination and duplication of the books and records of any Grantor related to the Revolving Loan Priority Collateral and/or the Canadian Collateral, or to otherwise handle, deliver, ship, transport, deal with or dispose of any Revolving Loan Priority Collateral or Canadian Collateral, such right to include, without limiting the generality of the foregoing, the right to conduct one or more public or private sales or auctions thereon and (b) use any of the Term Loan Priority Collateral under such control or possession (or sold to a Third Party Purchaser) to handle, manufacture, deal with or dispose of any Revolving Loan Priority Collateral or Canadian Collateral pursuant to the rights of Revolving Loan Agent and the other Revolving Loan Secured Parties as set forth in the Revolving Loan Documents, the UCC of any applicable jurisdiction, the PPSA and other applicable law.

(b) The rights of Revolving Loan Agent set forth in clause (a) above as to the Term Loan Priority Collateral shall be irrevocable and without charge and shall continue at Revolving Loan Agent's option for a period of one hundred eighty (180) days as to any such Term Loan Priority Collateral from the earlier of (i) the date on which Term Loan Agent has notified Revolving Loan Agent that Term Loan Agent has acquired possession or control of such Term Loan Priority Collateral and (ii) the date on which Term Loan Agent has notified Revolving Loan Agent that Term Loan Agent has sold such Term Loan Priority Collateral to a Third Party Purchaser. The time periods set forth herein shall be tolled during the pendency of any proceeding of a Grantor under the Bankruptcy Code or any other Bankruptcy Law or other proceedings pursuant to which Revolving Loan Agent is effectively stayed from enforcing its rights against the Revolving Loan Priority Collateral or Canadian Collateral; provided that the Revolving Loan Agent shall have used its commercially reasonable efforts to have such stay lifted. In no event shall Term Loan Agent or any of the Term Loan Secured Parties take any action to interfere, limit or restrict the rights of Revolving Loan Agent set forth above or the exercise of such rights by Revolving Loan Agent pursuant to this Section 9.1 prior to the expiration of such periods.

9.2. Responsibilities of Revolving Loan Secured Parties.

The Revolving Loan Agent shall reimburse and indemnify the Term Loan Agent for all reasonable, out-of-pocket costs and expenses (including for any physical damage to any Term Loan Priority Collateral) and any other third party loss or damages incurred by Term Loan Agent or any other Term Loan Secured Party as a direct result of the actions of the Revolving Loan Agent (or its representatives, including a Receiver) in exercising its access and use rights as provided in Section 9.1 above (but not any diminution in value of the Term Loan Priority Collateral resulting from the Revolving Loan Agent so dealing with any Revolving Loan Priority Collateral or Canadian Collateral), such access and use rights shall be exercised in accordance with applicable law and customary industry practices, and, if requested by Term Loan Agent, Revolving Loan Agent shall furnish evidence of its liability insurance to Term Loan Agent. Term Loan Agent shall not have any responsibility or liability for the acts or omissions of Revolving Loan Agent or any of the other Revolving Loan Secured Parties, and Revolving Loan Agent and the other Revolving Loan Secured Parties shall not have any responsibility or liability for the acts or omissions of Term Loan Agent, in each case arising in connection with such other Person's use and/or occupancy of any of the Term Loan Priority Collateral.

9.3. Intellectual Property.

In addition to and not in limitation of Section 9.1, in connection with any Enforcement Action by Revolving Loan Agent, Term Loan Agent hereby grants, to the extent of its interest therein and except to the extent such grant is prohibited by any law, statute or regulation, to Revolving Loan Agent a non-exclusive, royalty free, non-assignable license with respect to any Term Loan Priority Collateral consisting of trademarks, copyrights, patents, know-how or other intellectual property and pertaining to the Revolving Loan Priority Collateral or Canadian Collateral solely for purposes of converting unfinished goods or raw materials into finished inventory, disposing, collecting, or otherwise realizing on any of the Revolving Loan Priority Collateral or Canadian Collateral pursuant to the rights of the Revolving Loan Agent and the other Revolving Loan Secured Parties as set forth in the Revolving Loan Documents, the UCC of any applicable jurisdiction, the PPSA and other applicable law; provided, that, (i) the Revolving Loan Agent's use of all such intellectual property shall be reasonable and lawful, and (ii) any such license is granted on an "AS IS" basis, without any representation or warranty whatsoever. Notwithstanding anything to the contrary contained herein, any purchaser or assignee of Revolving Loan Priority Collateral or Canadian Collateral pursuant to the exercise by Revolving Loan Agent of any of its rights or remedies with respect thereto shall have the right to sell or otherwise dispose of any such Revolving Loan Priority Collateral or Canadian Collateral to which any such Intellectual Property is affixed. The license and right herein shall continue in full force and effect until all Revolving Loan Priority Collateral or Canadian Collateral has been sold, transferred or otherwise disposed of (or, if sooner, the occurrence of a Discharge of Revolving Loan Debt) notwithstanding (i) any exercise of remedies by any Term Loan Secured Parties with respect to any Term Loan Priority Collateral or (ii) any voluntary or involuntary transfer or assignment of any of such Term Loan Priority Collateral consisting of intellectual property or any rights therein.

Section 10. Reliance; Waivers; Etc.

10.1. Reliance.

(a) The consent by the Revolving Loan Secured Parties to the execution and delivery of the Term Loan Documents and the grant to Term Loan Agent on behalf of the Term Loan Secured Parties of a Lien on the Shared Collateral and all loans and other extensions of credit made or deemed made on and after the date hereof by the Revolving Loan Secured Parties to any Grantor shall be deemed to have been given and made in reliance upon this Agreement.

(b) The consent by the Term Loan Secured Parties to the execution and delivery of the Revolving Loan Documents and the grant to Revolving Loan Agent on behalf of the Revolving Loan Secured Parties of a Lien on the Shared Collateral and Canadian Collateral and all loans and other extensions of credit made or deemed made on and after the date hereof by the Term Loan Secured Parties to any U.S. Grantor shall be deemed to have been given and made in reliance upon this Agreement.

10.2. No Warranties or Liability.

(a) Term Loan Agent, for itself and on behalf of the other Term Loan Secured Parties, acknowledges and agrees that each of Revolving Loan Agent and the other Revolving Loan Secured Parties have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Revolving Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Term Loan Agent agrees, for itself and on behalf of the other Term Loan Secured Parties, that the Revolving Loan Secured Parties will be entitled to manage and supervise their respective loans and extensions of credit under the Revolving Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Revolving Loan Secured Parties may manage their loans and extensions of credit without regard to any rights or interests that Term Loan Agent or any of the other Term Loan Secured Parties have in the Collateral or otherwise, except as otherwise provided in this Agreement. Neither Revolving Loan Agent nor any of the other Revolving Loan Secured Parties shall have any duty to Term Loan Agent or any of the other Term Loan Secured Parties to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with any Grantor (including the Term Loan Documents), regardless of any knowledge thereof which they may have or with which they may be charged.

(b) Revolving Loan Agent, for itself and on behalf of the other Revolving Loan Secured Parties, acknowledges and agrees that each of Term Loan Agent and the other Term Loan Secured Parties have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Term Loan Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Revolving Loan Agent agrees, for itself and on behalf of the other Revolving Loan Secured Parties, that the Term Loan Secured Parties will be entitled to manage and supervise their respective loans and extensions of credit under the Term Loan Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Term Loan Secured Parties may manage their loans and extensions of credit without regard to any rights or interests that Revolving Loan Agent or any of the other Revolving Loan Secured Parties have in the Collateral or otherwise, except as otherwise provided in this Agreement. Neither Term Loan Agent nor any of the other Term Loan Secured Parties shall have any duty to Revolving Loan Agent or any of the other Revolving Loan Secured Parties to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with any Grantor (including the Revolving Loan Documents), regardless of any knowledge thereof which they may have or with which they may be charged.

10.3. No Waiver of Lien Priorities.

(a) No right of Revolving Loan Agent or any of the other Revolving Loan Secured Parties to enforce any provision of this Agreement or any of the Revolving Loan Documents shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Grantor or by any act or failure to act by Revolving Loan Agent or any other Revolving Loan Secured Party, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the Revolving Loan Documents or any of the Term Loan Documents, regardless of any knowledge thereof which Revolving Loan Agent or any of the other Revolving Loan Secured Parties may have or be otherwise charged with.

(b) No right of Term Loan Agent or any of the other Term Loan Secured Parties to enforce any provision of this Agreement or any of the Term Loan Documents shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Grantor or by any act or failure to act by Term Loan Agent or any other Term Loan Secured Party, or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the Term Loan Documents or any of the Revolving Loan Documents, regardless of any knowledge thereof which Term Loan Agent or any of the other Term Loan Secured Parties may have or be otherwise charged with.

(c) Term Loan Agent agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshaling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Revolving Loan Priority Collateral or Canadian Collateral or any other similar rights a junior creditor (whether secured or unsecured) may have under applicable law.

(d) Revolving Loan Agent agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshaling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Term Loan Priority Collateral or any other similar rights a junior creditor (whether secured or unsecured) may have under applicable law.

10.4. Amendments to Revolving Loan Documents.

The Revolving Loan Documents may be amended, supplemented or otherwise modified in accordance with their terms and the Revolving Loan Agreement may be refinanced, in each case, without notice to, or the consent of the Term Loan Agent or the other Term Loan Secured Parties, all without affecting the Lien subordination or other provisions set forth in this Agreement (even if any right of subrogation or other right or remedy of Term Loan Agent or any other Term Loan Secured Party is affected, impaired or extinguished thereby); provided, that:

(a) in the case of a refinancing of the Revolving Loan Debt, the Revolving Loan Agent on behalf of the Revolving Loan Secured Parties binds itself in a writing addressed to the Term Loan Agent to the terms of this Agreement, and

(b) without the prior written consent of the Term Loan Agent, any such amendment, supplement, modification or refinancing shall not:

(i) increase the aggregate combined amount of unused commitments, outstanding loans, and outstanding letters of credit included in the Revolving Loan Debt to an amount greater than the Revolving Loan Maximum Amount;

(ii) increase the "Applicable Margin", any interest rate floors or similar components of the interest rate by more than three percent (3.00%) per annum in the aggregate (excluding increases resulting from the accrual of interest at the default rate or fluctuations in the underlying reference rates) or increase the amount, or frequency of payment, of any recurring fees provided for in the Revolving Loan Agreement;

(iii) shorten the scheduled maturity of the Revolving Loan Debt or any refinancing thereof unless imposed as a result of a default;

(iv) modify (or have the effect of a modification of) the terms of payment, including the mandatory prepayment provisions of the Revolving Loan Agreement in a manner that increases the amount or frequency of any of such payments, or requires additional mandatory prepayments or limits the rights of Grantors with respect thereto;

(v) contravene the terms of this Agreement;

(vi) amend or modify any provision of the Revolving Loan Documents to prohibit any U.S. Grantor from making any payment of principal, interest, fees, cost and expense reimbursements or indemnities with respect to the Term Loan Debt;

(vii) impose any restriction or limitation on the U.S. Grantors' ability to effect any amendment, supplement, modification or Refinancing of the Term Loan Documents or Term Loan Debt that is more restrictive than any such restriction or limitation set forth in Section 10.5(b) below;

(viii) increase the aggregate Canadian Loan Limit (as defined in the Revolving Loan Agreement) to an amount in excess of $15,000,000; or

(ix) modify (or have the effect of a modification of) the terms of Section 7.24 of the Revolving Loan Agreement in a manner adverse to the interests of the Term Loan Secured Parties.

10.5. Amendments to Term Loan Documents.

The Term Loan Documents may be amended, supplemented or otherwise modified in accordance with their terms and the Term Loan Agreement may be refinanced, in each case, without notice to, or the consent of the Revolving Loan Agent, all without affecting the Lien subordination or other provisions set forth in this Agreement (even if any right of subrogation or other right or remedy of Revolving Loan Agent or any other Revolving Loan Secured Party is affected, impaired or extinguished thereby); provided, that,

(a) in the case of a refinancing of the Term Loan Debt, the Term Loan Agent on behalf of the Term Loan Secured Parties binds itself in a writing addressed to the Revolving Loan Agent to the terms of this Agreement, and

(b) without the prior written consent of the Revolving Loan Agent, any such amendment, supplement, modification or refinancing shall not:

(i) increase the aggregate combined amount of unused commitments and outstanding loans included in the Term Loan Debt to an amount greater than the Term Loan Maximum Amount;

(ii) increase the "Applicable Margin", any interest rate floors or similar components of the interest rate by more than three percent (3.00%) per annum in the aggregate (excluding increases resulting from the accrual of interest at the default rate or changes in the underlying rate) or increase the amount, or frequency of payment, of any recurring fees provided for in the Term Loan Agreement;

(iii) shorten the scheduled maturity of the Term Loan Agreement to a date prior to the scheduled maturity date of the Revolving Loan Agreement or any refinancing thereof;

(iv) modify (or have the effect of a modification of) the terms of payment, including the regularly scheduled payments of principal or mandatory prepayment provisions of the Term Loan Agreement in a manner that increases the amount or frequency of any of such payments, or requires additional mandatory prepayments or limits the rights of Grantors with respect thereto;

(v) contravene the terms of this Agreement;

(vi) amend or modify any provision of the Term Loan Documents to prohibit any Grantor from making any payment of principal, interest, fees, cost and expense reimbursements or indemnities with respect to the Revolving Loan Debt;

(vii) modify the definition of "Excess Cash Flow" or any related definitions used in the calculation thereof or Section 2.1(g)(3) of the Term Loan Agreement, in each case, in any manner adverse to the Revolving Loan Secured Parties; or

(viii) impose any restriction or limitation on the Grantors' ability to effect any amendment, supplement, modification or Refinancing of the Revolving Loan Documents or Revolving Loan Debt that is more restrictive than any such restriction or limitation set forth in Section 10.4(b).

Section 11. Miscellaneous

11.1. Conflicts.

In the event of any conflict between the provisions of this Agreement and the provisions of the Revolving Loan Documents or the Term Loan Documents, the provisions of this Agreement shall govern.

11.2. Continuing Nature of this Agreement; Severability.

This Agreement shall continue to be effective until the first to occur of the Discharge of Revolving Loan Debt and the Discharge of Term Loan Debt. This is a continuing agreement of lien subordination and the Secured Parties may continue, at any time and without notice to the other Secured Parties, to extend credit and other financial accommodations and lend monies to or for the benefit of any Grantor constituting Revolving Loan Debt and/or any U.S, Grantor constituting Term Loan Debt (as applicable) in reliance hereof. Each of Term Loan Agent, for itself and on behalf of the Term Loan Secured Parties, and Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency Proceeding. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.3. Refinancing.

(a) Refinancing Permitted. As an agreement among the Secured Parties only and without prejudice to any rights of the Secured Parties under the Revolving Loan Documents and Term Loan Documents, as applicable, the Revolving Loan Debt and/or Term Loan Debt may be refinanced in their entirety if (a) the terms and provisions of any such refinancing debt are such that, if they were instead implemented as amendments to the existing debt being refinanced rather than as a refinancing of such existing debt, such terms and conditions could be effected without the consent of the Agent to the existing debt not being refinanced in connection with such transaction, in accordance with the provisions of Section 10.4 or Section 10.5, as applicable, and (b) the holders of such indebtedness, or a duly authorized agent on their behalf, agree in writing to be bound by the terms of this Agreement. Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, and Term Loan Agent, for itself and on behalf of the Term Loan Secured Parties, agree, in connection with any refinancing of the Revolving Loan Debt and/or the Term Loan Debt permitted by this Section 11.3(a), promptly to enter into such documents and agreements (including amendments or supplements to this Agreement) as Grantors may reasonably request to reflect such refinancing; provided, that, the rights and powers of the Secured Parties contemplated hereby shall not be affected thereby.

(b) Effect of Refinancing.

(i) If substantially contemporaneously with the Discharge of Revolving Loan Priority Debt, the Revolving Loan Borrowers refinance indebtedness outstanding under the Revolving Loan Documents in accordance with the provisions of Section 11.3(a), then after written notice to Term Loan Agent, (i) the indebtedness and other obligations arising pursuant to such refinancing of the then outstanding indebtedness under the Revolving Loan Documents shall automatically be treated as Revolving Loan Debt for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, (ii) the credit agreement and the other loan documents evidencing such new indebtedness shall automatically be treated as the Revolving Loan Agreement and the Revolving Loan Documents for all purposes of this Agreement and (iii) the agent under the new Revolving Loan Agreement shall be deemed to be Revolving Loan Agent for all purposes of this Agreement. Upon receipt of notice of such refinancing (including the identity of the new Revolving Loan Agent), Term Loan Agent shall promptly enter into such documents and agreements (including amendments or supplements to this Agreement) as the Revolving Loan Borrowers or the new Revolving Loan Agent may reasonably request in order to provide to the new Revolving Loan Agent the rights of Revolving Loan Agent contemplated hereby.

(ii) If substantially contemporaneously with the Discharge of Term Loan Priority Debt, the Term Loan Borrowers refinance indebtedness outstanding under the Term Loan Documents in accordance with the provisions of Section 11.3(a), then after written notice to Revolving Loan Agent, (i) the indebtedness and other obligations arising pursuant to such refinancing of the then outstanding indebtedness under the Term Loan Documents shall automatically be treated as Term Loan Debt for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein, (ii) the credit agreement and the other loan documents evidencing such new indebtedness shall automatically be treated as the Term Loan Agreement and the Term Loan Documents for all purposes of this Agreement and (iii) the agent under the new Term Loan Agreement shall be deemed to be Term Loan Agent for all purposes of this Agreement. Upon receipt of notice of such refinancing (including the identity of the new Term Loan Agent), Term Loan Agent shall promptly enter into such documents and agreements (including amendments or supplements to this Agreement) as the Term Loan Borrowers or the new Term Loan Agent may reasonably request in order to provide to the new Term Loan Agent the rights of Term Loan Agent contemplated hereby.

11.4. Amendments; Waivers.

No amendment or modification of any of the provisions of this Agreement by Term Loan Agent or Revolving Loan Agent shall be deemed to be made unless the same shall be in writing signed on behalf of both of the Term Loan Agent and the Revolving Loan Agent (as directed by the applicable Secured Parties pursuant to the applicable Term Loan Documents or Revolving Loan Documents, as the case may be). No waiver of any of the provisions of this Agreement shall be deemed to be made unless the same shall be in writing signed by the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights or obligations are directly adversely affected.

11.5. Subrogation.

(a) Term Loan Agent, for itself and on behalf of the Term Loan Secured Parties, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Revolving Loan Priority Debt has occurred.

(b) Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Term Loan Priority Debt has occurred.

11.6. Consent to Jurisdiction; Waivers.

The parties hereto consent to the jurisdiction of any state or federal court located in the Borough of Manhattan, New York City, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 11.7 below for such party. Service so made shall be deemed to be completed three (3) days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder based on forum non conveniens, and any objection to the venue of any action instituted hereunder. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

11.7. Notices.

All notices to the Term Loan Secured Parties and the Revolving Loan Secured Parties permitted or required under this Agreement may be sent to Term Loan Agent and Revolving Loan Agent, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, electronically mailed or sent by courier service, facsimile transmission or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a facsimile transmission or electronic mail or four (4) Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

Revolving Loan Agent:

Encina Business Credit, LLC
123 N Wacker Dr. Suite 2400
Chicago, IL 60606
Attn: Thomas Sullivan
Telecopy: (312) 796-8506

Term Loan Agent:

Brightwood Loan Services LLC
810 7th Avenue, 26th Floor
New York, NY 10019
Attn: Brightwood Finance
Telecopy: 646-537-2648

11.8. Further Assurances.

(a) Term Loan Agent agrees that it shall, for itself and on behalf of the Term Loan Secured Parties, take such further action and shall execute and deliver to Revolving Loan Agent such additional documents and instruments (in recordable form, if requested) as Revolving Loan Agent may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

(b) Revolving Loan Agent agrees that it shall, for itself and on behalf of the Revolving Loan Secured Parties, take such further action and shall execute and deliver to Term Loan Agent such additional documents and instruments (in recordable form, if requested) as Term Loan Agent may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

11.9. Governing Law.

The validity, construction and effect of this Agreement shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or any other rule of law that would result in the application of the law of any jurisdiction other than the laws of the State of New York.

11.10. Binding on Successors and Assigns.

This Agreement shall be binding upon Revolving Loan Agent, the other Revolving Loan Secured Parties, Term Loan Agent, the other Term Loan Secured Parties, Grantors and their respective permitted successors and assigns.

11.11. Specific Performance.

(a) Revolving Loan Agent may demand specific performance of this Agreement. Term Loan Agent, for itself and on behalf of the Term Loan Secured Parties, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by Revolving Loan Agent.

(b) Term Loan Agent may demand specific performance of this Agreement. Revolving Loan Agent, for itself and on behalf of the Revolving Loan Secured Parties, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by Term Loan Agent.

11.12. Section Titles.

The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

11.13. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same document. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by facsimile transmission or electronic transmission (in pdf format) shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

11.14. Authorization.

By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

11.15. No Third Party Beneficiaries.

This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of the holders of Revolving Loan Debt and Term Loan Debt. No other Person shall have or be entitled to assert rights or benefits hereunder. Each Grantor hereby acknowledges and agrees that it is not an intended beneficiary or third party beneficiary under this Agreement.

11.16. Additional Grantors.

Companies and Guarantors shall cause each of their Subsidiaries that becomes a Grantor to acknowledge and consent to the terms of this Agreement by causing such Subsidiary to execute and deliver to the parties hereto a Grantor Joinder, substantially in the form of Annex B hereto, pursuant to which such Subsidiary shall agree to be bound by the terms of the attached Acknowledgment and Agreement to the same extent as if it had executed and delivered same as of the date hereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as first written above.

**REVOLVING LOAN AGENT**

ENCINA BUSINESS CREDIT, LLC., as Revolving Agent

By: /s/ Tracy Salyers

Name: Tracy Salyers

Title: Authorized Signatory

**TERM LOAN AGENT**

BRIGHTWOOD LOAN SERVICES LLC, as Term Loan Agent

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Damien Dwin
Name: Damien Dwin
Title: Managing Member

**ACKNOWLEDGMENT AND AGREEMENT**

Each of the undersigned hereby acknowledges and agrees to the representations, terms and provisions of the Intercreditor Agreement between Encina Business Credit, LLC, in its capacity as agent for the Revolving Loan Secured Parties (in such capacity, the "Revolving Loan Agent") and Brightwood Loan Services LLC, in its capacity as agent for the Term Loan Secured Parties (in such capacity, "Term Loan Agent") (as may be amended, restated, extended, or otherwise modified from time to time, the "Intercreditor Agreement"), of which this Acknowledgment and Agreement is a part. By its signature below, the undersigned agrees that it will, together with its successors and assigns, be bound by the provisions hereof, that it shall not do any act or perform any obligation which is in contravention with the agreements set forth herein and that it shall recognize all rights granted hereby to the Secured Parties.

Each of the undersigned agrees that (a) if either the Revolving Loan Agent or the Term Loan Agent holds Shared Collateral it does so as bailee (under the UCC) for the other and is hereby authorized to and may turn over to such other Secured Party upon request therefor any such Shared Collateral, after all obligations and indebtedness of the undersigned to the bailee Secured Party have been fully paid and performed, or as otherwise provided in the Intercreditor Agreement, and (b) it will execute and deliver such additional documents and take such additional action as may be necessary or desirable in the opinion of any Secured Party to effectuate the provisions and purposes of the foregoing Intercreditor Agreement. Each of the undersigned agrees to provide to the Term Loan Agent and the Revolving Loan Agent a copy of each Grantor Joinder hereto executed and delivered pursuant to Section 11.16 of the Intercreditor Agreement.

Each of the undersigned acknowledges and agrees that, (a) although it may sign this Acknowledgement and Agreement, it is not a party to the Intercreditor Agreement and does not and will not receive any right, benefit, priority or interest under or because of the existence of the Intercreditor Agreement, (b) a breach by the undersigned of any of its obligations under the Intercreditor Agreement or this Acknowledgment and Agreement will constitute an Event of Default under the terms of each of the Revolving Loan Agreement and the Term Loan Agreement and (c) the terms of the Intercreditor Agreement shall not give any Grantor and, nor modify any, substantive rights vis-à-vis any Secured Party, or any obligations or liabilities owing to such Secured Party, under any instrument, document, agreement or arrangement and (x) as between the Revolving Loan Secured Parties and the Grantors, the Revolving Loan Documents remain in full force and effect as written and are in no way modified hereby, and (y) as between the Term Loan Secured Parties and the U.S. Grantors, the Term Loan Documents remain in full force and effect as written and are in no way modified hereby.

[Signature Page Follows]

**GRANTORS:**

HYDROFARM HOLDINGS LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

HYDROFARM, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President and Chief Executive Officer

EHH HOLDINGS, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

SUNBLASTER LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

HYDROFARM CANADA, LLC

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

EDDI'S WHOLESALE GARDEN SUPPLIES LTD.

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

SUNBLASTER HOLDINGS ULC

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Director

**Annex A**
**to**
**Intercreditor Agreement**

**Revolving Loan Priority Collateral**

Revolving Loan Priority Collateral consists of any and all of the following, now or hereafter owned by any U.S. Grantor: (i) "accounts" and "payment intangibles," other than "payment intangibles" (in each case, as defined in Article 9 of the UCC) which constitute identifiable proceeds of Term Loan Priority Collateral; (ii) all "inventory" (as defined in Article 9 of the UCC), including inventory, merchandise, goods and other personal property that are held for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, or materials or supplies of any kind used or consumed or to be used or consumed in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software; (iii) proceeds and receivables arising under policies of business interruption insurance to the extent such proceeds and receivables are payable by reason of, and to the extent related to, the loss or damage to any "accounts", "inventory" or other Revolving Loan Priority Collateral; (iv) proceeds with respect to tax refunds, (v) (x) "deposit accounts" (as defined in Article 9 of the UCC) and "securities accounts" (as defined in Article 8 of the UCC), including all monies, "uncertificated securities," and "securities entitlements" (as defined in Article 8 of the UCC) contained therein (including all cash, marketable securities and other funds held in or on deposit in either of the foregoing) and other cash and Cash Equivalents but excluding monies, cash, Cash Equivalents, "uncertificated securities," and "securities entitlements" that are identifiable proceeds of Term Loan Priority Collateral, and (y) "instruments" (as defined in Article 9 of the UCC), including intercompany notes of Grantors but excluding instruments that are identifiable proceeds of Term Loan Priority Collateral and, in each case, for the avoidance of doubt, excluding any equity interests of any Grantor or any of its Subsidiaries; (vi) general intangibles and documents pertaining to the other items of property included within the other clauses of this paragraph, including, without limitation, all contingent rights with respect to warranties on accounts; (vii) "records" (as defined in Article 9 of the UCC), "supporting obligations" (as defined in Article 9 of the UCC) and related "letters of credit" (as defined in Article 5 of the UCC), commercial tort claims or other claims and causes of action, in each case, to the extent related to any of the other items of property included within the other clauses of this paragraph; and (viii) substitutions, replacements, accessions, products and proceeds (including, without limitation, insurance proceeds, licenses, royalties, income, payments, claims, damages and proceeds of suit) of any or all of the foregoing.

**Annex B**
**to**
**Intercreditor Agreement**

**Form of Grantor Joinder**

Reference is made to that certain Intercreditor Agreement, dated as of July 11, 2019 (as amended, amended and restated, modified, supplemented, extended, renewed, restated or replaced from time to time in accordance with the terms thereof, the "Intercreditor Agreement"), between Encina Business Credit, LLC, in its capacity as agent for the Revolving Loan Secured Parties (in such capacity, the "Revolving Loan Agent") and Brightwood Loan Services LLC, in its capacity as agent for the Term Loan Secured Parties (in such capacity, "Term Loan Agent"). Capitalized terms used herein without definition shall have the meaning assigned thereto in the Intercreditor Agreement.

This Grantor Joinder, dated as of _____, 20__ (this "Grantor Joinder"), is being delivered pursuant to Section 11.16 of the Intercreditor Agreement.

The undersigned, _____, a _____ (the "Additional Grantor"), hereby agrees to become a party to the Acknowledgement and Agreement attached as Annex B to the Intercreditor Agreement as a Grantor thereunder, for all purposes thereof on the terms set forth therein, and to be bound by the terms of such Acknowledgement and Agreement as fully as if the Additional Grantor had executed and delivered such Acknowledgement and Agreement as of the date thereof.

This Grantor Joinder may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract.

THIS GRANTOR JOINDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The provisions of Section 11 of the Intercreditor Agreement shall apply with like effect to this Grantor Joinder.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Additional Grantor has caused this Grantor Joinder to be duly executed by its authorized representative as of the day and year first above written.

**[ADDITIONAL GRANTOR]**

By: _____
Name: _____
Title: _____

**Exhibit 10.22**

EXECUTION VERSION

**FIRST AMENDMENT TO LOAN**
**AND SECURITY AGREEMENT**

This **FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of October 15, 2019, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), and **HYDROFARM, LLC,** a California limited liability company, **SUNBLASTER LLC,** a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company and **HYDROFARM CANADA, LLC,** a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), and **EHH HOLDINGS, LLC** a Delaware limited liability company ("EHH") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH:**

**WHEREAS,** Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 ( the "Loan Agreement");

**WHEREAS,** Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to amend the definition of Term Loan Side Letter Agreement to reflect that such agreement has been amended since the Closing Date of the Loan Agreement, in accordance with the terms and conditions hereof; and

**WHEREAS,** Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein;

**NOW THEREFORE,** in consideration of the premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement, as amended hereby.

**SECTION 2.** Amendments.

(a) Upon the First Amendment Effective Date (as defined below), the following

definition set forth in Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced, respectively, as follows:

***"Term Loan Side Letter Agreement"*** means the letter agreement, together with the amendment thereto attached as Exhibit A to that certain First Amendment to Loan and Security Agreement, dated as of October 15, 2019, among Agent and the Loan Party Obligors."

(b) Upon the First Amendment Effective Date, the following definition of ***"First Amendment Effective Date"*** is hereby added to Section 1.1 of the Loan Agreement in a manner that maintains alphabetical order:

'First Amendment Effective Date' means October 15, 2019."

**SECTION 3.** Representations, Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders;

(b) on the First Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4.** Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "First Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request;

(b) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent.

**SECTION 6.** Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

**SECTION 8.** Effect of Amendment; Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents, in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents, and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non- compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9.** Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10.** Release. **EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11.** Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12.** Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13.** Execution in Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

**LENDER:**

**ENCINA BUSINESS CREDIT SPV, LLC,** a
Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**AGENT:**

**ENCINA BUSINESS CREDIT, LLC,**
a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**[Signature Pages Continue]**

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**SUNBLASTER, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**SUNBLASTER HOLDINGS, LLC**

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Its: Director

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**HYDROFARM CANADA, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: President

**SIGNATURE PAGE TO**
**FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT**

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: Manager

**HYDROFARM HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Its: Manager

EXHIBIT A

**EXECUTION VERSION**

**HYDROFARM HOLDINGS GROUP, INC.**
**HYDROFARM INVESTMENT CORP.**
**HYDROFARM HOLDINGS LLC**

October 15, 2019

Brightwood Loan Services LLC, as
Administrative Agent
810 Seventh Avenue, 26th Floor
New York, NY 10019

Re: Amendment to Side Letter Agreement dated March 15, 2019

Ladies and Gentlemen:

Reference is hereby made to that certain Side Letter Agreement, dated as of March 15, 2019 (the ***"Side Letter"),*** by and among Hydrofarm Holdings Group, Inc., a Delaware corporation ***("HHG")*** and Hydrofarm Investment Corp., a Delaware corporation ***("HIC"*** and together with HHG and any other Person that becomes a party thereto as provided therein, the ***"Grantors"),*** Hydrofarm Holdings LLC, a Delaware limited liability company ***("Holdings"),*** Hydrofarm, LLC, a California limited liability company ***("Hydrofarm"),*** EHH Holdings, LLC ***("EMI"),*** a Delaware limited liability company, SunBlaster, LLC, a Delaware limited liability company ***("SunBlaster",*** and together with Hydrofarm and EHH, collectively, the ***"Borrowers"),*** and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Side Letter (or as incorporated by reference therein).

Pursuant to Section 5(e) of the Side Letter, any modification, amendment, supplement or waiver of any provision of the Side Letter shall be effective only if it is in writing and signed by the parties the Side Letter. The parties hereto constitute all of the parties to the Side Letter.

HHG, HIC, Holdings, the Borrowers and the Administrative Agent are entering into this letter agreement (this ***"Amendment')*** in order to amend and modify certain provisions of the Side Letter.

In order to induce the Administrative Agent and the Lenders to enter into Amendment No. 6 to the Credit Agreement, dated as of the date hereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendments. Effective as of the date of this Amendment, Section 2 of the Side Letter is hereby

amended to insert a new clause (d) in the appropriate alphabetical location therein to read in its entirety as follows:

(d) New Stock Offering.

(i) Notwithstanding the foregoing provisions of this Section 2, HHG shall consummate an issuance and sale (the ***"New Issuance")*** of convertible preferred Equity Interests or other equity securities as agreed between HHG and Credit Suisse (or, to the extent that Credit Suisse shall cease to be the placement agent in respect of the New Issuance, any subsequently appointed placement agent) (the ***"New HHG Equity Interests")*** on or prior to December 31, 2019 (the ***"New Issuance Outside Date").*** The terms of the New HHG Equity Interests shall provide that:

(A) HHG shall not make any declaration or payment of a distribution or dividend on, or any payment on account of, any of the New HHG Equity Interests (or any other Equity Interest into which such New HHG Equity Interests are convertible) prior to the repayment in full of all of the outstanding Obligations (as defined in the Credit Agreement); and

(B) HHG shall not purchase, redeem or acquire, or otherwise retire for value, any of the New HHG Equity Interests (or any other Equity Interest into which such New HHG Equity Interests are convertible) unless (x) the aggregate purchase, redemption or acquisition price in respect thereof is funded in full with the net cash proceeds of a concurrent issuance of additional Equity Interests of HHG, or (y) within one business day following such purchase, redemption or acquisition, HHG receives a cash capital contribution from the existing holders of Equity Interests of HHG in an aggregate amount equal to at least the aggregate purchase, redemption or acquisition price in respect of such purchase, redemption or acquisition.

(ii) Until such time as HHG shall have received at least $30,000,000 in Gross Cash Proceeds from one or more closings of the New Issuance, HHG shall cause Credit Suisse (or, to the extent that Credit Suisse shall cease to be the placement agent in respect of the New Issuance, any subsequently appointed placement agent) to hold and participate in weekly conference calls or in-person meetings with the Administrative Agent and the Lenders during which (x) Credit Suisse (or such subsequently appointed placement agent) shall provide the Administrative Agent and the Lenders with a reasonably detailed update of the marketing process with respect to the New Issuance, and (y) the Administrative Agent and the Lenders shall be permitted to ask questions of, and to obtain any requested information from, Credit Suisse (or such subsequently appointed placement agent) with respect to the marketing process with respect to the New Issuance.

(iii) The parties hereto agree that any New Issuance consummated on or prior to the New Issuance Outside Date shall not constitute an HHG Equity Issuance under Section 2(b) of this Side Letter and rather shall be governed by the provisions of this Section 2(d).

(iv) In the event that HHG consummates any New Issuance in accordance with this Section 4(d), then, on the date that HHG receives the cash proceeds from such New Issuance:

(A) HHG shall make a direct and indirect common cash contribution to Holdings in an amount (the ***"Contribution Amount')*** equal to the sum of:

(x) with respect to any Net Cash Proceeds received by HHG from one or more closings of the New Issuance in an amount up to $35,000,000, the product of (1) 30%, times (2) the aggregate amount of such Net Cash Proceeds; plus

(y) with respect to the portion of any Net Cash Proceeds received by HHG from one or more closings of the New Issuance between $35,000,000 and $45,000,000 (the amount of such excess, the ***"First Tier Excess Net Cash Proceeds"),*** the product of (1) 40%, times (2) the aggregate amount of such First Tier Excess Net Cash Proceeds; plus

(z) with respect to the portion of any Net Cash Proceeds received by HHG from one or more closings of the New Issuance that exceeds $45,000,000 (the amount of such excess, the ***"Second Tier Excess Net Cash Proceeds"),*** the product of (1) 45%, times (2) the aggregate amount of such Second Tier Excess Net Cash Proceeds;

(B) Holdings shall apply 100% of the proceeds of the common cash contribution of the Contribution Amount referred to in clause (A) above to make a common cash contribution to the Borrower Agent in an amount equal to the Contribution Amount; and

(C) Borrower Agent shall apply 100% of the proceeds of the common cash contribution of the Contribution Amount referred to in clause (B) above to make a voluntary prepayment of the Term Loans in an amount equal to the Contribution Amount pursuant to Section 2.1(g)(1) of the Credit Agreement.

(v) For the purposes hereof:

(A) the term ***"Gross Cash Proceeds"*** shall mean the aggregate gross cash proceeds received by HHG from one or more closings of the New Issuance; and

(B) the term ***"Net Cash Proceeds"*** shall mean the aggregate gross cash proceeds (net of any fees or expenses payable in connection with such New Issuance) received by HHG from one or more closings of the New Issuance.

(vi) In the event that (x) HHG does not receive at least $30,000,000 in Gross Cash Proceeds from one or more closings of the New Issuance on or prior to the New Issuance Outside Date, and (y) HHG does not receive, on or prior to January 15, 2020, a cash capital contribution from the existing holders of Equity Interests of HHG in an aggregate amount that, when added to the Gross Cash Proceeds received by HHG from the New Issuance on or prior to the New Issuance Outside Date, equals at least $30,000,000, then:

(A) HHG shall, on or prior to January 15, 2020, engage a national recognized investment back acceptable to the Lenders (the ***"Investment Bank")*** to explore strategic alternatives for HHG and its subsidiaries, including a refinancing of the outstanding indebtedness of HHG and its subsidiaries (including the Borrowers), the sale of HHG and its subsidiaries (including the Borrowers) to financial or strategic buyers, and other potential liquidity options; and

(B) HHG shall cause the Investment Bank to present to HHG, the Administrative Agent and the Lenders, on or prior to February 15, 2020, its findings and recommendations with respect to potential strategic alternative for HHG and its subsidiaries (which potential strategic alternatives must include proposals related to a refinancing of all outstanding indebtedness of HHG and its subsidiaries (including the Borrowers) in which the Term Loans are repaid in full in cash).

(vii) HHG represents that it has delivered to the Administrative Agent true and correct copies of (i) that certain Convertible Unsecured Subordinated Promissory Note, dated as of September 30, 2019, issued by HHG to Aegis Special Situations Fund LLC —Series Agritech I in a principal amount of $2,789,327.50 (the ***"First Aegis Note")*** and (ii) that certain Convertible Unsecured Subordinated Promissory Note, dated as of September 30, 2019, issued by HHG to Aegis Special Situations QP Fund LLC —Series Agritech I in a principal amount of $3,083,187.50 (the ***"Second Aegis Note",*** and together with the First Aegis Note, collectively, the ***"Aegis Notes"),*** which Aegis Notes may convert into New HHG Equity Interests in accordance with the terms thereof. The parties hereto agree that:

(A) the issuance by HHG of the Aegis Notes shall not constitute a HHG Equity Issuance for purposes of Section 2(b) of this Agreement and, accordingly, the 10% Payment Amount in respect thereof shall not be required to be applied to make a voluntary prepayment of the Term Loans under Section 2(b); and

(B) in the event that the Aegis Notes shall, on any date, convert into New HHG Equity Interests, (x) the issuance of New HHG Equity Issuances upon such conversion shall, for the purposes of this Section 2(d), be deemed to constitute a portion of the New Issuance and (y) the aggregate principal amount of the Aegis Notes that shall be converted into New HHG Equity Interests shall, for the purposes of this Section 2(d), be deemed to be Gross Cash Proceeds received by HHG from the New Issuance on the date of such conversion.

2. Miscellaneous.

(a) Effect of Amendment. Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Side Letter are intended or implied, and in all other respects the Side Letter is hereby specifically ratified, restated and confirmed by all parties hereto as of the date hereof. This Amendment shall not operate as a waiver of any obligation of HHG, HIC, Holdings, or any Borrower under, or any right, power, or remedy of the Administrative Agent or the Lenders under, the Side Letter. The Side Letter and this Amendment shall be read and construed as one agreement.

(b) Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Amendment.

(c) Counterparts. This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Facsimile or electronic signatures hereto shall be deemed to have the same force and effect as original signatures.

(d) Benefits of Agreement. All of the terms and provisions of this Amendment shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(e) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without regard to the principles of conflicts of laws of such state.

(f) Representations and Warranties. Each of the Grantors, Holdings and the Borrowers hereby represents and warrants to the Administrative Agent as follows, which representations and warranties shall survive the execution and delivery hereof:

(i) Each such Person is a limited liability company, corporation or other organization, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its organization, and has full power and authority to enter into and to perform its obligations under this Amendment;

(ii) this Amendment has been duly authorized, executed and delivered by all necessary action on the part of each such Person and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the date hereof and the agreements and obligations of each such Person contained herein constitute legal, valid and binding obligations of each such Person enforceable against each such Person in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles; and

(iii) neither the execution, delivery and performance of this Amendment, nor the consummation of any of the transactions contemplated hereby, (x) are in contravention of any applicable law or any indenture, agreement or undertaking to which any such Person is a party or by which any such Person or its property is bound, or (y) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of any such Person.

[Signature Page Follows]

Please indicate your agreement with the terms and conditions of this Side Letter by signature of your authorized officer in the space indicated below.

Very truly yours,

**HYDROFARM HOLDINGS GROUP, LLC**

By: _____
Name: Jeffrey Peterson
Title: Chief Financial Officer

**HYDROFARM INVESTMENT CORP.**

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

**HYDROFARM HOLDINGS LLC**

By: _____
Name: Peter Wardenburg
Title: Manager

**HYDROFARM, LLC**

By: _____
Name: Peter Wardenburg
Title: Manager

**EHH HOLDINGS, LLC**

By: _____
Name: Peter Wardenburg
Title: Manager

**SUNBLASTER, LLC**

By: _____
Name: Peter Wardenburg
Title: President

Acknowledged and accepted:

**BRIGHTWOOD LOAN SERVICES LLC,**
as Administrative Agent

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Authorized Person

By: /s/ Philip Deniele
Name: Philip Deniele
Title: Chief Risk Officer

**EXECUTION VERSION**

**HYDROFARM HOLDINGS GROUP, INC.**
**HYDROFARM INVESTMENT CORP.**
**HYDROFARM HOLDINGS LLC**

March 15, 2019

Brightwood Loan Services LLC, as
Administrative Agent
810 Seventh Avenue, 26th Floor
New York, NY 10019

Re: Side Letter Agreement in Connection with Amendment No. 4 to Credit Agreement

Ladies and Gentlemen:

This Side Letter Agreement, dated as of March 15, 2019 (this ***"Agreement'),*** is made by Hydrofarm Holdings Group, Inc., a Delaware corporation ***("HHG")*** and Hydrofarm Investment Corp., a Delaware corporation ***("HIC"*** and together with HHG and any other Person that becomes a party hereto as provided herein, the ***"Grantors"),*** Hydrofarm Holdings LLC, a Delaware limited liability company ***("Holdings"),*** Hydrofarm, LLC, a California limited liability company ***("Hydrofarm"),*** EHH Holdings, LLC ***("EHH"),*** a Delaware limited liability company, and SunBlaster, LLC, a Delaware limited liability company ***("SunBlaster",*** and together with Hydrofarm and EHH, collectively, the ***"Borrowers"),*** in favor of Administrative Agent and the Lenders (as defined below).

WHEREAS, Holdings, the Borrowers, the lenders party to the Credit Agreement referred to below (collectively, the ***"Lenders"*** and each individually a ***"Lender"),*** and Brightwood Loan Services LLC, in its capacity as Administrative Agent for the Lenders (the ***"Administrative Agent')*** are each a party to that certain Credit Agreement dated as of May 12, 2017 (as amended, modified or supplemented, the ***"Credit Agreement')*** pursuant to which the Lenders have made and provided loans and other financial accommodations to the Borrowers from time to time.

WHEREAS, Holdings and the Borrowers have requested that the Administrative Agent and the Lenders amend the Credit Agreement as set forth in that certain Amendment No. 4 to Credit Agreement of even date herewith ***("Amendment No. 4").***

WHEREAS, Holdings and the Borrowers are wholly owned subsidiaries of the Grantors and Amendment No. 4 will enable Holdings and the Borrowers to continue to operate their business, and the Grantors will derive substantial benefit from the continued operation of that business.

WHEREAS, it is a condition precedent to Amendment No. 4 that the Grantors, Holdings and the Borrowers shall have executed and delivered this Agreement in favor of the Administrative Agent for the ratable benefit of all Lenders.

NOW THEREFORE, in consideration of the premises set forth above and to induce the Administrative Agent and the Lenders to enter into Amendment No. 4, each Grantor, Holdings and each Borrower hereby agrees with Agent, for the ratable benefit of the Lenders, as follows:

1. Option. Grantors hereby grant to the Administrative Agent, for the benefit of the Lenders, the option ***("Option")*** to require that HIC and any other Acquiring Entity enter into a GSA (as defined below) on the terms described herein with respect to any Future Acquisition. The Grantors shall not consummate, and shall not permit any of their respective Subsidiaries (including any Acquiring Entity) to consummate, a Future Acquisition unless, no later than ten (10) Business Days prior to the date that a Future Acquisition is to be consummated, the Grantors provide a written notice (a ***"Future Acquisition Notice")*** to the Administrative Agent that a Future Acquisition is occurring, which Future Acquisition Notice will be accompanied by a summary of such Future Acquisition. The Grantors will provide any additional information regarding the Future Acquisition as reasonably requested by the Administrative Agent. If the Administrative Agent elects to exercise the Option by delivering written notice of such exercise to the Grantors or the Borrower Agent at any time, the Grantors will cause the Acquiring Entity and, in the case of the first Future Acquisition occurring after the date hereof, HIC (to the extent HIC is not the Acquiring Entity) to promptly enter into a guaranty and security agreement (the ***"GSA")*** pursuant to which the Acquiring Entity and, in the case of the first Future Acquisition occurring after the date hereof, HIC (to the extent HIC is not the Acquiring Entity) guarantees the Obligations of Holdings and the Borrowers under the Credit Agreement and the other Loan Documents and grants a pledge of all of the Equity Interests of the Acquired Entity and, in the event that Acquiring Entity is not HIC, the Equity Interests of the Acquiring Entity to secure such guaranty on the terms described below:

    (a) The Acquiring Entity and, in the case of the first Future Acquisition occurring after the date hereof, HIC (to the extent HIC is not the Acquiring Entity) shall guaranty the payment and performance of the Obligations under the Credit Agreement and the other Loan Documents;

    (b) Except as otherwise described in this Section 1, the GSA shall contain terms and conditions substantially consistent with the terms and conditions of the Guaranty in the form attached as Exhibit B to the Credit Agreement;

    (c) The Acquiring Entity and HIC, as applicable, shall make representations and warranties limited to existence and good standing, due authorization, no conflict with organizational documents, applicable law and material contracts, enforceability, governmental authorizations, grant and perfection of security interests, ownership of pledged Equity Interests, sanctions and prohibited persons (including representations related to the Trading with the Enemy Act, the Patriot Act, foreign assets control regulations and other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations substantially similar to the representations set forth in Sections 4.27 and 4.28 of the Credit Agreement), but will not include representations with respect to the Acquired Entity (other than with respect to the pledged Equity Interests and customary representations related to the Trading with the Enemy Act, the Patriot Act, foreign assets control regulations and other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations substantially similar to the representations set forth in Sections 4.27 and 4.28 of the Credit Agreement);

    (d) Covenants will be limited to certain notice provisions and further assurances with respect to the collateral granted in the GSA and the following with respect to the Acquired Entity: (i) neither the Acquired Entity nor any of its Subsidiaries will be permitted to incur any Indebtedness or Liens to the extent that the Loan To Value Ratio as of the date of the incurrence of such Indebtedness or Liens (after giving effect to such incurrence) exceeds 50%; provided, that, neither the Acquired Entity nor any of its Subsidiaries will be permitted to incur any Indebtedness or Liens at any time after the 180$^{th}$ day following the closing date of the applicable Future Acquisition in respect of such Acquired Entity unless, in addition to satisfying the 50% Loan To Value Ratio required set forth above, HIC or the Acquiring Entity, as applicable, shall, prior to the incurrence of such Indebtedness or Liens, have obtained and delivered to the Administrative Agent a Subsequent Valuation Report with respect to such Acquired Entity dated no earlier than one year prior to the date of such incurrence, (ii) with respect to any Future Acquisition, (x) on or prior to the 180$^{th}$ day following the consummation of such Future Acquisition, the Grantors shall obtain and deliver to the Administrative Agent a Subsequent Valuation Report with respect to the applicable Acquired Entity, and (y) following the delivery of the initial Subsequent Valuation Report with respect to the applicable Acquired Entity pursuant to clause (x) above, on or prior to the first anniversary of the most recently delivered Subsequent Valuation Report with respect to the applicable Acquired Entity, the Grantors shall obtain and deliver to the Administrative Agent a new updated Subsequent Valuation Report with respect to the applicable Acquired Entity, (iii) none of the Acquiring Entity, the Acquired Entity, HIC or their respective Subsidiaries will be permitted to sell all or substantially all of the Equity Interests or assets of the of the Acquired Entity without the consent of Administrative Agent, which shall not be unreasonably withheld, conditioned or delayed, and (iv) the Acquiring Entity will provide customary quarterly and annual financial information with respect to the Acquiring Entity and its Subsidiaries to Administrative Agent, and such other information as reasonably requested by the Administrative Agent;

    (d) No Acquiring Entity shall be permitted to incur any Indebtedness or Liens other than its guaranty of the Obligations under the Credit Agreement, and the grant of Liens in respect of such Obligations, contemplated by this Section 1;

    (e) Defaults to be limited to the breach of the GSA, non-payment, insolvency of Grantors or any Acquiring Entity and change of control (to be defined in a customary manner, with references to the ownership of HHG to be consistent with the definition of Change of Control in Amendment No. 4); and

    (f) Further assurances providing that upon the request of the Administrative Agent, the Acquiring Entity and, in the event that Acquiring Entity is not HIC, HIC will execute a standard pledge agreement (containing terms generally consistent with the applicable provisions of the Security Agreement) to evidence the pledge of the Equity Interests of the Acquired Entity and, in the event that Acquiring Entity is not HIC, the Equity Interests of the Acquiring Entity and will deliver such documentation as is necessary to evidence such pledge; provided, that if the Acquired Entity is a controlled foreign corporation, in the event that the pledge of 100% of the Equity Interests of such Acquired Entity would result in material adverse tax consequences to the Grantors, the parties will determine in good faith whether the pledge should be limited to a pledge of 65% of the equity interests.

For the avoidance of doubt, the Grantors shall not consummate, and shall not permit any of their respective Subsidiaries (including any Acquiring Entity) to consummate, a Future Acquisition unless (i) the Grantors shall have timely delivered a Future Acquisition Notice to the Administrative Agent in accordance with the first paragraph of this Section 1, (ii) in the event that the Administrative Agent shall have duly exercised the Option in respect of such Future Acquisition within ten (10) Business Days following its receipt of the applicable Future Acquisition Notice, the Acquiring Entity and, as applicable, HIC shall have executed and delivered a GSA and any other required documentation in accordance with this Section 1 prior to, or contemporaneously with, the consummation of such Future Acquisition, and (iii) the Grantors shall have delivered to the Administrative Agent, prior to the consummation of such Future Acquisition, copies of the valuation materials utilized by the Grantors in connection with its valuation of the Acquired Entity in connection with such Future Acquisition. In addition, (x) HHG shall not be permitted to directly consummate any Future Acquisition or otherwise directly make or acquire any Investment in any Person (other than HIC or a newly created Acquiring Entity), and (y) for the avoidance of doubt, in order for HHG to directly or indirectly consummate a Future Acquisition, such Future Acquisition must be made indirectly by HHG through HIC or an Acquiring Entity. In addition, the Grantors shall not directly or indirectly make or acquire any Investment in any Person in any transaction that does not constitute a Future Acquisition hereunder.

2. HHG and HIC Agreements. Each of HHG and HIC hereby agrees as follows:

(a) Event Distribution. HHG and HIC shall not be permitted to make any dividend, distribution, payment or other Restricted Payment to the direct or indirect holders of any of the Equity Interests or Equity Interest Equivalents of HHG or any of their respective Affiliates (each, an ***"Event Distribution")*** from the proceeds of (i) any dividends, distributions or other Restricted Payments received by HHG or HIC, directly or indirectly, from any Acquired Entity or any of its Subsidiaries, (ii) any sale, transfer or other disposition of any of its direct or indirect Equity Interests or Equity Interest Equivalents in any Acquired Entity or any of its Subsidiaries or (iii) any other similar liquidity event with respect to (including any change of control of) any Acquired Entity or any of its Subsidiaries (any amounts or proceeds received by HHG or HIC from any of the events, transactions or matters described in clauses (i), (ii) or (iii) are herein referred to as ***"Event Proceeds")*** if at the time of receipt of such Event Proceeds or the time of the making of such Event Distribution, the Total Net Leverage Ratio (as defined in the Credit Agreement) is greater than 4.0:1.0; *provided, however,* that in such circumstance, HHG or HIC shall be permitted to make an Event Distribution if simultaneously with such Event Distribution, and as a condition precedent to the making of such Event Distribution, (x) HHG or HIC, as applicable, makes a direct and indirect common cash contribution to Holdings in an amount equal to the Event Distribution, (y) Holdings applies the proceeds of the contribution referred to in clause (x) to make a common cash contribution to the Borrower Agent in an amount equal to the Event Distribution, and (z) the Borrower Agent applies the proceeds of the contribution referred to in clause (y) to make a voluntary prepayment of the Term Loans in an amount equal to the Event Distribution pursuant to Section 2.1(g)(1) of the Credit Agreement.

(b) HHG Equity Issuance. In the event that HHG receives the proceeds of any direct or indirect sale or issuance of any Equity Interests or Equity Interests Equivalents of HHG or of any contribution to the capital of HHG (a ***"HHG Equity Issuance"),*** (x) HHG shall use its reasonable best efforts to utilize at least 10% of the net proceeds of such HHG Equity Issuance (the ***"10% Payment Amount')*** to make a direct and indirect common cash contribution to Holdings in an amount equal to at least the 10% Payment Amount (and HHG shall use its reasonable best efforts to (i) cause the applicable underwriters (if any) in respect of such HHG Equity Issuance to agree to permit the contribution of the 10% Payment Amount and the use of the proceeds thereof contemplated below (which agreement shall not be unreasonably withheld by such underwriters), (ii) cause the applicable underwriters (if any) in respect of such HHG Equity Issuance to include the payment of the 10% Payment Amount as a use of proceeds from such HHG Equity Issuance in any prospectus or other marketing materials in respect of such HHG Equity Issuance and to solicit potential investors on such basis, and (iii) cause the investors in such HHG Equity Issuance to permit the contribution of the 10% Payment Amount and the use of the proceeds thereof contemplated below (it being acknowledged that such underwriters and future investors may not agree to this use of proceeds and if, after the use of reasonable best efforts by HHG to obtain the agreement of such underwriters and investors, such underwriters and investors refuse to permit the contribution of the 10% Payment Amount and the use of the proceeds thereof contemplated below, the failure to pay the 10% Payment Amount shall not prohibit any HHG Equity Issuance; provided, that, in the event that such underwriters refuse to permit the contribution of the 10% Payment or to market the HHG Equity Issuance on such basis, HHG shall be deemed to have not complied with the provisions of this Section 2(b) unless HHG shall have solicited in good faith at least three nationally recognized underwriters that shall have been approved by the Administrative Agent via email on or prior to the date hereof in an attempt to engage an underwriter that shall agree to market the HHG Equity Issuance on such basis)), (y) if the 10% Payment Amount is made, Holdings shall apply the proceeds of the contribution referred to in clause (x) to make a common cash contribution to the Borrower Agent in an amount equal to at least the 10% Payment Amount, and (z) if the 10% Payment amount is made, the Borrower Agent shall apply the proceeds of the contribution referred to in clause (y) to make a voluntary prepayment of the Term Loans in an amount equal to at least the 10% Payment Amount pursuant to Section 2.1(g)(1) of the Credit Agreement. In connection with HHG's engagement of a potential underwriter with respect to a HHG Equity Issuance, HHG shall promptly deliver to the Lenders any relevant proposals, presentations or pitch materials provided to HHG by potential underwriters in connection with such engagement process.

(c) IPO. In the event that HHG, HIC, any of their respective Subsidiaries or any of their respective parent entities shall consummate, or shall otherwise receive the proceeds from, any IPO, HHG and HIC shall use their reasonable best efforts, and shall cause the Borrowers to use their reasonable best efforts, to refinance and repay all of the outstanding Obligations of Holdings and the Borrowers under the Credit Agreement and the other Loan Documents within 135 days following the consummation of such IPO; provided, that, HHG and HIC shall be deemed to have not complied with the provisions of this Section 2(b) unless HHG shall have solicited in good faith at least three nationally recognized investment banks or similar lead arrangers approved by the Lenders in an attempt to engage a lead arranger to market and arrange such refinancing. In connection with HHG's engagement of an investment bank or similar lead arranger with respect to a refinancing contemplated by this clause (c), HHG and HIC shall promptly deliver to the Lenders any relevant proposals, presentations or pitch materials provided to HHG and/or HIC by potential lead arrangers in connection with such engagement process.

3. Limitations. For the avoidance of doubt, this Agreement does not contemplate or serve to (a) restrict HHG, HIC or the Acquired Entity from making any Future Acquisitions as they deem necessary or desirable in their sole discretion subject to the Option and the other provisions of Section 1, or (b) except to the extent contemplated by Section 1 with respect to HIC and the Acquiring Entity, obligate HHG, HIC, the Acquiring Entity or the Acquired Entity to become, whether now or hereafter, a Loan Party under the Credit Agreement.

4. Breach or Rescission under the GSA. The Grantors, Holdings and the Borrowers acknowledge that (i) any breach or violation of this Agreement shall be an Event of Default under the Credit Agreement, and (ii) if any GSA or other agreement is executed in accordance with the terms of Section 1, the breach or rescission of the same shall be an Event of Default under the Credit Agreement.

5. Miscellaneous.

(a) Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(a) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Facsimile or electronic signatures hereto shall be deemed to have the same force and effect as original signatures.

(b) Benefits of Agreement. All of the terms and provisions of this Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(c) Capitalized Terms and Definitions. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. In addition, the following terms when used in this Agreement shall, except where the context otherwise requires, have the following meanings:

**(i)** ***"Acquired Entity"*** means any Person the Equity Interests or assets of which are acquired by an Acquiring Entity in a Future Acquisition.

**(ii)** ***"Acquiring Entity"*** means, with respect to any Future Acquisition, either (a) HIC in the event that HIC is directly effecting such Future Acquisition, or (b) any Subsidiary of a Grantor formed for the purposes of effecting such Future Acquisition.

**(iii)** ***"Future Acquisition"*** means (whether by purchase, exchange, issuance of Equity Interests or Equity Interests Equivalents, merger, reorganization, joint venture or otherwise) a transaction or series of transactions resulting, directly or indirectly, in (a) the acquisition by any Grantor or any entity formed by any Grantor of all or a substantial portion of a business, unit, division or substantially all assets of a Person, (b) the record or beneficial ownership by any Grantor or any entity formed by any Grantor of 50% or more of the Equity Interests of a Person, or otherwise causing any Person to become a Subsidiary of any Grantor or any entity formed by any Grantor, (c) the merger, amalgamation, consolidation or combination of any Grantor or any entity formed by any Grantor with another Person, or (d) any other business combination or business acquisition by any Grantor or any entity formed by any Grantor of or with any Person to effect any transaction similar to the transactions referred to in clauses (a), (b) or (c) above.

**(iv)** ***"IPO"*** means (a) any initial public offering of any Equity Interests of any of HHG, HIC, any of their respective Subsidiaries or any of their respective parent entities or (b) any other event that results in the listing, quoting or trading of any Equity Interests of any of HHG, HIC, any of their respective Subsidiaries or any of their respective parent entities on any national securities exchange or trading system (including, without limitation, the Toronto Stock Exchange or TSX Venture Exchange).

**(v)** ***"Loan to Value Ratio"*** means, with respect to any Acquired Entity as of any date of determination, the ratio (expressed as a percentage) of (a) the Total Debt Amount with respect to such Acquired Entity as of such date, to (b) the Total Value with respect to such Acquired Entity as of such date.

**(vi)** ***"Subsequent Valuation"*** means, with respect to any Subsequent Valuation Report in respect of any Acquired Entity, the fair market value of the Equity Interests of the applicable Acquired Entity held by the Acquiring Entity as of the date of such Subsequent Valuation Report as set in such Subsequent Valuation Report.

**(vii)** ***"Subsequent Valuation Report'*** means, with respect to any Acquired Entity as of any date of determination, the most recent appraisal from a nationally recognized independent valuation firm reasonably acceptable to the Administrative Agent setting forth the fair market value of the Equity Interests of the applicable Acquired Entity held by the Acquiring Entity that shall have been delivered by the Grantors to the Administrative Agent pursuant to Section 1.

**(viii)** ***"Total Debt Amount"*** means, with respect to any Acquired Entity as of any date of determination, the aggregate outstanding principal amount of all Indebtedness of such Acquired Entity and its Subsidiaries as of such date after giving effect to any Indebtedness incurred by such Acquired Entity or any of its Subsidiaries on such date (assuming, for such purposes, that the entire amount of all available revolving Indebtedness or other committed =drawn Indebtedness of such Acquired Entity and its Subsidiaries were drawn and outstanding on such date in full).

**(ix)** ***"Total Equity Value"*** means, with respect to any Acquired Entity, as of any date of determination, (x) with respect to any date on or prior to the 180$^{th}$ day following the closing date of the applicable Future Acquisition in respect of such Acquired Entity, an amount equal to (a) the total consideration paid by the Acquiring Entity to the sellers in the applicable Future Acquisition in respect of such Acquired Entity on the closing date of such Future Acquisition, minus (b) the total amount of Indebtedness incurred or assumed by such Acquired Entity or any of its Subsidiaries in connection with such Future Acquisition, and (y) with respect to any date after the 180$^{th}$ day following the closing date of the applicable Future Acquisition in respect of such Acquired Entity but on or prior to the first anniversary of the date of such Subsequent Valuation Report, the Subsequent Valuation with respect to the Acquired Entity set forth in the most recent Subsequent Valuation Report delivered to the Administrative Agent with respect to such Acquired Entity.

**(x)** ***"Total Value"*** means, with respect to any Acquired Entity as of any date of determination, the sum of (x) the Total Debt Amount with respect to such Acquired Entity as of such date, plus (y) the Total Equity Value with respect to such Acquired Entity as of such date, minus (z) the total cash and cash equivalents on hand of such Acquired Entity and its Subsidiaries on such date.

(d) Entire Understanding. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof, and any other prior or contemporaneous agreements, whether written or oral, with respect hereto are expressly superseded hereby.

(e) Amendments and Waivers. No modification, amendment, supplement or waiver of any provision of, or consent required by, this Agreement, nor any consent to any departure from the terms hereof, shall be effective unless it is in writing and signed by the parties hereto. Such modification, amendment, supplement, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the principles of conflicts of laws of such state.

(g) Representations and Warranties. Each of the Grantors, Holdings and the Borrowers hereby represents and warrants to the Administrative Agent as follows, which representations and warranties shall survive the execution and delivery hereof:

(i) Each such Person is a limited liability company, corporation or other organization, as the case may be, validly organized and existing and in good standing under the laws of the jurisdiction of its organization, and has full power and authority to enter into and to perform its obligations under this Agreement;

(i) this Agreement has been duly authorized, executed and delivered by all necessary action on the part of each such Person and, if necessary, their respective members or stockholders, as the case may be, and is in full force and effect as of the date hereof and the agreements and obligations of each such Person contained herein constitute legal, valid and binding obligations of each such Person enforceable against each such Person in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, moratorium, or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles; and

(ii) neither the execution, delivery and performance of this Agreement, nor the consummation of any of the transactions contemplated hereby, (x) are in contravention of any applicable law or any indenture, agreement or undertaking to which any such Person is a party or by which any such Person or its property is bound, or (y) violates any provision of the certificate of incorporation, certificate of formation, by-laws, operating agreement or other governing documents of any such Person.

(h) Specific Performance. Each of the Grantors, Holdings and the Borrowers agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Administrative Agent shall be entitled to seek an injunction or injunctions, or any other appropriate form of specific performance or equitable relief, to prevent breaches of this Agreement and otherwise to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which the Administrative Agent or the Lenders are entitled at law or in equity or pursuant to the Credit Agreement or other Loan Documents. Each of the Grantors, Holdings and the Borrowers agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. In the event that the Administrative Agent seeks an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, the Administrative Agent shall not be required to provide any bond or other security in connection with any such order or injunction.

[Signature Page Follows]

Please indicate your agreement with the terms and conditions of this Side Letter by signature of your authorized officer in the space indicated below.

Very truly yours,

**HYDROFARM HOLDINGS GROUP, INC.**

By: /s/ Jeffrey Peterson
Name: Jeffrey Peterson
Title: Chief Financial Officer

**HYDROFARM INVESTMENT CORP.**

By: /s/ Michael Serruya
Name: Michael Serruya
Title: President

**HYDROFARM HOLDINGS LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**HYDROFARM, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

**EHH HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

**SUNBLASTER, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: President

Acknowledged and accepted:

BRIGHTWOOD LOAN SERVICES LLC,
as Administrative Agent

By: /s/ Phil Daniele
Name: Phil Daniele
Title: Chief Risk Officer

By: /s/ Sengal Selassie
Name: Sengal Selassie
Title: Managing Member

**Exhibit 10.23**

EXECUTION VERSION

**SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This **SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of November 26, 2019, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC**, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), and **HYDROFARM, LLC**, a California limited liability company, **SUNBLASTER LLC**, a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC**, a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD**., a British Columbia company and **HYDROFARM CANADA, LLC**, a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), and **EHH HOLDINGS, LLC** a Delaware limited liability company ("EHH") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH:**

**WHEREAS**, Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 (the "Loan Agreement");

**WHEREAS**, Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to increase the Inventory Sublimit, on a temporary basis, in accordance with the terms and conditions hereof; and

**WHEREAS**, Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein;

**NOW THEREFORE**, in consideration of the premises and the mutual cove ants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1**. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement, as amended hereby.

**SECTION 2**. Amendments.

(a) Upon the Second Amendment Effective Date, the following definition of ***"Second Amendment Effective Date"*** is hereby added to Section 1.1 of the Loan Agreement in a manner that maintains alphabetical order:

> ""Second Amendment Effective Date" means November 26, 2019."

(b) Upon the Second Amendment Effective Date, the amount set forth in Section 1(d) of Annex I ($20,000,000) is hereby deleted in its entirety and replaced with:

"$21,500,000 through February 5, 2020;

$21,125,000 from February 6, 2020 through February 12, 2020;

$20,750,000 from February 13, 2020 through February 19, 2020;

$20,375,000 from February 20, 2020 through February 26, 2020; and

$20,000,000 thereafter."

**SECTION 3**. Representations, Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders;

(b) on the Second Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4.** Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "Second Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request;

(b) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent; and

(c) Ultimate Parent shall have caused not less than an additional $3,000,000 in cash to be infused into the U.S. Obligors for working capital purposes on terms satisfactory to Agent.

**SECTION 6.** Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

**SECTION 8.** Effect of Amendment; Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents, in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents, and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non- compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9.** Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10.** Release. **EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11**. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12**. Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13**. Execution in Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

**LENDER:**

**ENCINA BUSINESS CREDIT SPV, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Manager

**AGENT:**

**ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Manager

**[Signature Pages Continue]**

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**SUNBLASTER, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**SUNBLASTER HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**HYDROFARM CANADA, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**Exhibit 10.24**

**THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This **THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of April 3. 2020, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company. as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity. "Agent"), and **HYDROFARM, LLC**, a California limited liability company, **SUNBLASTER LLC,** a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC**, a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**, a British Columbia company and **HYDROFARM CANADA, LLC**, a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"). and **EHH HOLDINGS, LLC** a Delaware limited liability company "**EHH**") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH:**

**WHEREAS**, Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 (the "Original Loan Agreement");

**WHEREAS**, the Original Loan Agreement was amended pursuant to that certain first Amendment to Loan and Security Agreement dated as of October 15, 2019 (the "First Amendment") and that certain Second Amendment to Loan and Security Agreement dated as of November 26, 2019 (the "Second Amendment"):

**WHEREAS**.,Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to further amend the Original Loan Agreement as amended by the First Amendment and the Second Amendment (the "Loan Agreement") (i) to replace the existing minimum availability/springing fixed charge covenant with an availability block and (ii) to increase the Inventory Sublimit on a seasonal basis. in accordance with the terms and conditions hereof; and

**WHEREAS**, Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein:

**NOW THEREFORE**, in consideration of the premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1**. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement as amended hereby.

**SECTION 2.** Amendments.

The Loan Agreement is hereby amended (a) to delete the red or green stricken text (indicated textually in the same manner as the following examples: ~~stricken text~~ and ~~stricken text~~) and (b) to add the blue or green double-underlined text (indicated textually in the same manner as the following examples: double-underlined text and double-underlined text). in each case, as set forth in the marked copy of the Loan Agreement attached hereto as Exhibit A hereto and made a part hereof for all purposes.

**SECTION 3.** Representations. Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders:

(b) on the Third Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4.** Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "Third Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request;

(b) Agent shall have received any and all fees due and payable to Agent as a result of the transactions contemplated by this Amendment (including. but not limited to a $10,000 amendment fee), which fees Borrowers agree may be charged to the Loan Account as Obligations; and

(c) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent.

**SECTION 6**. Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation. negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF ..**

**SECTION 8**. Effect of Amendment: Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents. in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents. and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non-compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9**. Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10.** Release. **EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES. PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS. AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED CONTINGENT. OR CONDITIONAL, AT LAW OR TN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11**. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12**. Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13**. Execution in Counterparts. This Amendment may be executed in counterparts. each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

**LENDER:**

**ENCINA BUSINESS CREDIT SPY, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**AGENT:**

**ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**[Signature Pages Continue]**

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**SUNBLASTER, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**SUNBLASTER HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**HYDROFARM CANADA, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: JEFF PETERSON

Its: CFO

**LOAN AND SECURITY AGREEMENT**

**Dated as of JULY 11, 2019**

**by and among**

**HYDROFARM, LLC**
**SUNBLASTER LLC**
**SUNBLASTER HOLDINGS ULC**
**HYDROFARM CANADA, LLC**
**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,**

**as Borrowers,**

**EHH HOLDINGS, LLC**
**HYDROFARM HOLDINGS LLC,**
**as Loan Party Obligors,**

**the Lenders from time to time party hereto,**

**and**

**ENCINA BUSINESS CREDIT, LLC,**
**as Agent**

**TABLE OF CONTENTS**

**Loan and Security Agreement**

This Loan and Security Agreement (as it may be amended, restated or otherwise modified from time to time, this "***Agreement***") is entered into on July 11, 2019, by and among HYDROFARM, LLC, a California limited liability company, SUNBLASTER LLC, a Delaware limited liability company, SUNBLASTER HOLDINGS ULC, a British Columbia unlimited liability company, and EDDI'S WHOLESALE GARDEN SUPPLIES LTD., a British Columbia company and HYDROFARM CANADA, LLC, a Delaware limited liability company (each a "***Borrower***" and collectively the "***Borrowers***"), and HYDROFARM HOLDINGS LLC, a Delaware limited liability company ("***Holdings***"), and EHH HOLDINGS, LLC a Delaware limited liability company ("***EHH***"), as **Loan Party Obligors** (as defined herein), the Lenders party hereto from time to time and ENCINA BUSINESS CREDIT, LLC, a Delaware limited liability company, as agent for the Lenders (in such capacity, "***Agent***"). The Schedules and Exhibits to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

**1. DEFINITIONS.**

**1.1. Certain Defined Terms.**

Unless otherwise defined herein, the following terms are used herein as defined in the UCC or, in the case of the Canadian Obligors, the PPSA, as applicable: Accounts, Account Debtor, As- Extracted Collateral, Certificated Security, Chattel Paper, Commercial Tort Claims, Consumer Goods, Debtor, Deposit Accounts, Documents, Documents of Title, Electronic Chattel Paper, Equipment, Farm Products, Financing Statement, Fixtures, General Intangibles, Goods, Health- Care-Insurance Receivables, Instruments, Intangible, Inventory, Letter-of-Credit Rights, Money, Payment Intangible, Proceeds, Secured Party, Securities Accounts, Security Agreement, Supporting Obligations and Tangible Chattel Paper.

As used in this Agreement, the following terms have the following meanings:

"***ABL Priority Collateral***" means (a) as defined in the Intercreditor Agreement (it being understood and agreed that any time the Term Loan Facility is not in effect, the term "ABL Priority Collateral" shall mean all Collateral) and (b) the Collateral of any Canadian Obligors on which a Lien is granted to Agent hereunder or under any loan document.

"***ABLSoft***" means the electronic and/or internet-based system approved by Agent for the purpose of making notices, requests, deliveries, communications and for the other purposes contemplated in this Agreement or otherwise approved by Agent, whether such system is owned, operated or hosted by Agent, any of its Affiliates or any other Person.

"***Accounts Advance Rate***" means the percentage set forth in Section 1(b)(i) of Annex I.

"***Adjusted Borrowing Base***" means the Borrowing Base, without giving effect to clauses (c) and (d) of the definition of "Borrowing Base".

"***Advance Rates***" means, collectively, the Accounts Advance Rate and the Inventory Advance Rate.

"***Affiliate***" means, with respect to any Person, any other Person in control of, controlled by, or under common control with the first Person, and any other Person who has a substantial interest, direct or indirect, in the first Person or any of its Affiliates, including, any officer or director of the first Person or any of its Affiliates (and if that Person is an individual, any member of the immediate family (including parents, siblings, spouse, children, stepchildren, nephews, nieces and grandchildren) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust); ***provided***, that neither Agent, any Lender nor any of their respective Affiliates shall be deemed an "***Affiliate***" of Borrower for any purposes of this Agreement. For the purpose of this definition, a "***substantial interest***" shall mean the direct or indirect legal or beneficial ownership of more than ten (10%) percent of any class of equity or similar interest.

"***Agent***" means Encina in its capacity as agent for the Lenders hereunder, and any successor agent.

"***Agent-Related Persons***" means Agent, together with its Affiliates, officers, directors, employees, members, managers, attorneys, and agents.

"***Agent Professionals***" means attorneys, accountants, appraisers, auditors, business valuation experts, liquidation agents, collection agencies, auctioneers, environmental engineers or consultants, turnaround consultants, and other professionals and experts retained by Agent.

"***Agreement***" and "***this Agreement***" has the meaning set forth in the preamble to this Agreement.

"***Applicable Margin***" has the meaning set forth in Annex IV.

"***Approved Electronic Communication***" means each notice, demand, communication, information, document and other material transmitted, posted or otherwise made or communicated by e-mail, facsimile, ABLSoft or any other equivalent electronic service, whether owned, operated or hosted by Agent, any of its Affiliates or any other Person, that any party is obligated to, or otherwise chooses to, provide to Agent pursuant to this Agreement or any other Loan Document, including any financial statement, financial and other report, notice, request, certificate and other information or material; provided, that Approved Electronic Communications shall not include any notice, demand, communication, information, document or other material that Agent specifically instructs a Person to deliver in physical form.

"***Approved Fund***" means any Bona Fide Debt Fund and any other Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of business, in each case that is administered, managed, advised or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignment of Claims Act***", means the Assignment of Claims Act of 1940, as amended, currently codified at 31 U.S.C. 3727 and 41 U.S.C. 6305, and includes the prior historically referenced Federal Anti-Claims Act (31 U.S.C. 3727) and the Federal Anti-Assignment Act (41 U.S.C. 6305).

"***Assignee***" has the meaning set forth in Section 15.9(a).

"***Assignment and Assumption***" means an assignment and assumption agreement substantially in the form of Exhibit G.

"***Asset Disposition***" means a sale, lease, license, consignment, transfer, return, liquidation, or other disposition of Property of an Obligor, including any disposition in connection with a sale-leaseback transaction or synthetic lease.

"***Asset Acquisition***" means the acquisition by GSD of substantially all of the assets of Greenstar Plant Products Inc.'s distribution business for a purchase price of $8,873,926 pursuant to and in accordance with the Asset Purchase Agreement.

"***Asset Acquisition Earnout Amount***" means the amount of the Earnout Obligations which are paid by a Loan Party or any Subsidiary of a Loan Party; provided that commencing on the first day of the month following the first full month after the payment of such Earnout Obligations and on the first day of each month thereafter, such amount shall be reduced by 1/12th of the amount paid until reduced to $0.

"***Asset Acquisition Earnout Obligations***" means any obligation of any Subsidiary of Holdings to pay a deferred purchase price with respect to the Asset Acquisition pursuant to Section 2.6 of the Asset Purchase Agreement (as in effect on the Amendment No. 2 Effective Date).

"***Asset Purchase Agreement***" means the asset purchase agreement dated October 20, 2017 among Greenstar Plant Products Inc., as vendor, GSD, as purchaser, and Hydrofarm, as guarantor.

"***Availability Block***" means ~~the amount set forth in Section 1(f) of Annex I hereto, and after the Availability Block Release Date, zero dollars ($0).~~, for any date of determination, an amount equal to the greater of (a) $2,000,000 and (b) ten percent (10.0%) of the Adjusted Borrowing Base.

~~"***Availability Block Release Date***" means the date, if it ever occurs, following the delivery of the audited financial statements for Fiscal Year 2019 by Borrower Representative to Agent in compliance with Section 7.15(a) hereof (the "2019 Audited Financials"), that either (a) the 2019 Audited Financials or (b) any interim financial statements subsequently delivered by Borrower Representative to Agent in compliance with Section 7.15(b) hereof, show that the Fixed Charge Coverage Ratio is in excess of 1.05:1.00 for the applicable FCCR Measurement Period.~~

"***Bankruptcy Code***" means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.).

"***Base Rate***" means, for any day, the greatest of (a) the Federal Funds Rate plus
½%, (b) the LIBOR Rate (which rate shall be calculated based upon a one (1) month period and shall be determined on a daily basis), (c) one percent (1.0%), and (d) the rate of interest announced, from time to time, within Wells Fargo Bank, N.A. at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo Bank, N.A.'s base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo Bank, N.A. may designate (or, if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Agent may select).

"***Base Rate Loan***" means any Loan which bears interest at or by reference to the Base Rate.

"***Blocked Account***" has the meaning set forth in Section 6.1.

"***Bona Fide Debt Fund***" means any debt fund affiliate of the entities mentioned in the definition of "Disqualified Institution" that is primarily engaged in, or advises funds or other investment vehicles that are primarily engaged in, making, purchasing, holding or otherwise investing in commercial loans, notes, bonds and similar extensions of credit or securities in the ordinary course of its business and whose managers are not in control of with the equity investment decisions of such entities.

"***Borrower***" and "***Borrowers***" has the meaning set forth in the preamble to this Agreement.

"***Borrower Representative***" means Hydrofarm, in such capacity pursuant to the provisions of Section 2.9, or any permitted successor Borrower Representative selected by Borrowers and approved by Lender.

"***Borrowing Base"*** means, as of any date of determination, the Dollar Equivalent Amount as of such date of determination of (a) the aggregate amount of Eligible Accounts multiplied by the Accounts Advance Rate, plus (b) the lower of (i) cost or market value of Eligible Inventory multiplied by the applicable Inventory Advanced Rate(s) and (ii) NOLV of Eligible Inventory multiplied by the applicable Inventory Advance Rate(s), but in no event to exceed the Inventory Sublimit(s) and minus (c) all Reserves which Agent has established pursuant to Section 2.1(b) (including those to be established in connection with any requested Revolving Loan); minus (d) the Availability Block.

"***Borrowing Base Certificate***" a report of the Borrowing Base, in a form and substance satisfactory to Agent in its Permitted Discretion.

"***Business Day***" means a day other than a Saturday or Sunday or any other day on which Agent or banks in New York are authorized to close and: (a) in the case of a Business Day which relates to a LIBOR Loan, any day on which dealings are carried on in the London Interbank Eurodollar market, and (b) in the case of delivery of a Loan to a Funding Account located in a jurisdiction other than the United States, the term "Business Day" shall also exclude any day on which commercial banks in such jurisdiction are authorized or required by law to remain closed.

"***Canadian Account***" means any account invoiced and payable in Canadian Dollars

"***Canadian Benefit Plans***" means all material employee benefit plans or arrangements subject to the application of any Canadian benefit plan statutes or regulations that are maintained or contributed to by the Loan Parties that are not Canadian Pension Plans, including all profit sharing, savings, supplemental retirement, retiring allowance, severance, pension, deferred compensation, welfare, bonus, incentive compensation, phantom stock, legal services, supplementary unemployment benefit plans or arrangements and all life, health, dental and disability plans and arrangements in which the employees or former employees of the Loan Parties participate or are eligible to participate but excluding all stock option or stock purchase plans.

"***Canadian Borrowers***" means Sunblaster Holdings ULC, a British Columbia unlimited liability company, and Eddi's Wholesale Garden Supplies Ltd., a British Columbia company.

"***Canadian Defined Benefit Pension Plan***" means a Canadian Pension Plan which contains a "defined benefit provision" as defined in subsection 147.1(1) of the Income Tax Act (Canada), as amended.

"***Canadian Dollars***" or "***C$***" means Canadian Dollars.

"***Canadian Loan Limit***" means $15,000,000.

"***Canadian Multi-Employer Plan***" means a "multi-employer pension plan", as such term is defined in the Pension Benefits Standards Act (British Columbia), as amended, or any similar plan registered under pension standards legislation of another jurisdiction in Canada to which the Borrowers, including a Canadian Borrower, contributes for its employees or former employees employed in Canada.

"***Canadian Obligor(s)***" means any Borrower or Loan Party Obligor organized under the laws of Canada or any province thereof.

"***Canadian Pension Plan***" means all plans or arrangements which are considered to be pension plans under, and are subject to the application of, any applicable pension benefits standards statute or regulation in Canada established, maintained or contributed to by the Loan Parties for its employees or former employees.

"***Canadian Security Agreement***" means that certain General Security Agreement, dated as of the Closing Date, between Agent and the Canadian Borrowers.

"***Capital Expenditures***" means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of Borrowers, but excluding expenditures made in connection with the acquisition, replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored, (b) with cash awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced, (c) the net cash proceeds received by Borrowers in cash or cash equivalents from a Permitted Asset Disposition, and (d) the cumulative amount of net cash proceeds from the issuance of equity interests by Ultimate Parent.

"***Capitalized Lease***" means any lease which is or should be capitalized on the balance sheet of the lessee thereunder in accordance with GAAP.

"***Closing Date***" means July 11, 2019.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Collateral***" means all property and interests in property in or upon which a security interest, mortgage, pledge or other Lien is granted pursuant to this Agreement or the other Loan Documents, including all of the property of each Loan Party Obligor described in Section 5.1.

"***Collections***" has the meaning set forth in Section 6.1.

"***Commitment***" and "***Commitments***" means, individually or collectively as required by the context, the Revolving Loan Commitment.

"***Commitment Schedule***" means the Commitment Schedule attached hereto as Annex III.

"***Compliance Certificate***" means a compliance certificate substantially in the form of Exhibit F hereto to be signed by the Chief Financial Officer or President of Borrower Representative.

"***Confidential Information***" means confidential information that any Loan Party furnishes to the Agent pursuant to any Loan Document concerning any Loan Party's business, but does not include any such information once such information has become, or if such information is, generally available to the public or available to the Agent (or other applicable Person) from a source other than the Loan Parties which is not, to the Agent's knowledge, bound by any confidentiality agreement in respect thereof.

"***Consolidated Amortization Expense***" means the amount of amortization expense deducted in determining Net Income.

"***Consolidated Depreciation Expense***" means the amount of depreciation expense deducted in determining Net Income.

"***Consolidated Tax Expenses***" means federal, state, provincial and local income tax expenses of Holdings, the Borrowers and their Subsidiaries.

"***Control Agent***" means, at the time of determination, whichever of the Term Loan Agent or Agent has the right under the Term Loan Intercreditor Agreement to take remedial action with respect to the Collateral at issue.

"***Control Group***" means (i) Hawthorn Equity Partners and its Controlled Investment Affiliates, (ii) Broadband Capital Investments and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates, (vi) Peter Wardenburg and his Controlled Investment Affiliates and (vii) any shareholders of any of the individuals or entities in (i) through (vi) that have designated their voting rights to such individual or entity.

"***Controlled Investment Affiliate***" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"***Default***" means any event or circumstance which with notice or passage of time, or both, would constitute an Event of Default.

"***Default Rate***" has the meaning set forth in Section 3.1.

"***Defaulting Lender***" means any Lender that (a) has failed, within one Business Day of the date required to be funded or paid, to (i) fund any portion of its Loans or (ii) pay over to Agent or any other Lender any other amount required to be paid by it hereunder, (b) has notified Borrower Representative or Agent in writing, or it or its parent has made a public statement, to the effect that it does not intend or expect to comply with any of its funding obligations under this Agreement or generally under other agreements in which it or its parent commits to extend credit, (c) has failed, within two Business Days after request by Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon Agent's receipt of such certification in form and substance satisfactory to Agent, (d) had an involuntary proceeding commenced or an involuntary petition filed seeking (i) liquidation, reorganization or other relief in respect of such Lender or its parent or its or its parent's debts, or of a substantial part of its or its parent's assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Lender or its parent or for a substantial part of its or its parent's assets, or (e) shall have or whose parent shall have (i) voluntarily commenced any proceeding or filed any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar Law now or hereafter in effect (ii) consented to the institution of, or failed to contest in a timely and appropriate manner, any proceeding or petition described in clause (d) of this definition, (iii) applied for or consented to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for it or a substantial part of its assets, (iv) filed an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) made a general assignment for the benefit of creditors or (vi) taken any action for the purpose of effecting any of the foregoing.

"***Dilution***" means, as of any date of determination, a percentage, based upon the experience of the immediately prior twelve (12) months, that is the result of dividing the Dollar Equivalent Amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to a Borrower's Accounts during such period by (b)such Borrower's billings with respect to Accounts during such period.

"***Dilution Reserve***" has the meaning set forth in Section 1(b)(i) of Annex I.

"***Disqualified Institution***" means (i) certain financial institutions and other entities set forth on Annex V hereto; (ii) other financial institutions and other entities identified in writing by Borrower to Lender from time to time (and Affiliates of such identified entities (other than Bona Fide Debt Funds) that are reasonably identifiable as Affiliates solely on the basis of their name (provided Lender shall have no obligations to carry out due diligence in order to identify such Affiliates)) acceptable to Lender in its sole discretion; and (iii) bona fide competitors of the Borrower and its Subsidiaries identified in writing from time to time (and Affiliates thereof) (other than Bona Fide Debt Funds) that are reasonably identifiable as Affiliates solely on the basis of their name (provided that Lender shall have no obligation to carry out due diligence in order to identify such Affiliates)).

"***Distribution Payment Conditions***" means, as to the making of any payment or distribution of any dividends or other distributions on any Loan Party Obligor's stock or other equity interest (other than Permitted Tax Distributions), the satisfaction as of the making of each such payment or distribution and after giving pro forma effect thereto, of each of the following conditions: (a) No Default or Event of Default exists or has occurred and is continuing, (b) the Fixed Charge Coverage Ratio for the applicable FCCR Measurement Period is greater than 1.25:1.0, and (c) Excess Availability is greater than $3,000,000.

"***Division***" in reference to any Person which is an entity, means the division of such Person into two (2) or more separate ~~such~~ Persons, with the dividing Person either continuing or terminating its existence as part of such division, including as contemplated under Section 18-217 of the Delaware Limited Liability Act for limited liability companies formed under Delaware law, or any analogous action taken pursuant to any other applicable law with respect to any corporation, limited liability company, partnership or other entity. The word "Divide" when capitalized, shall have a correlative meaning.

"***Dollar Equivalent Amount***" means, at any time, (a) as to any amount denominated in Dollars, the amount hereof at such time, and (b) as to any amount denominated in a currency other than Dollars, the equivalent amount in Dollars as determined by Agent at such time that such amount could be converted into Dollars by Agent according to prevailing exchange rates selected by Agent.

"***Dollars***" or "***$***" means United States Dollars.

"***E-Signature***" means the process of attaching to or logically associating with an Approved Electronic Communication an electronic symbol, encryption, digital signature or process (including the name or an abbreviation of the name of the party transmitting the Approved Electronic Communication) with the intent to sign, authenticate or accept such Approved Electronic Communication.

"***Early Payment/Termination Premium***" has the meaning set forth in Section 3.2(e).

"***EBITDA***" means, for any period for which the amount thereof is to be determined, an amount equal to Net Income for such measurement period: plus (a) the following, without duplication, in each case to the extent deducted in calculating such Net Income: (i) Consolidated Interest Expense during such period means, for the applicable period, for the Loan Party Obligors on a consolidated basis, (ii) Consolidated Amortization Expense during such period (iii) Consolidated Depreciation Expense during such period (iv) Consolidated Tax Expenses paid or accrued during such period and the amount of any Tax Distributions made in cash during such period (v) any non-cash losses arising from the sale of capital assets during such period (vi) extraordinary non-cash losses with respect to such period (other than with respect to the write-downs of accounts receivable or inventory), (vii) to the extent actually reimbursed in cash from insurance proceeds, the amount of expenses for such period with respect to any business interruption, (viii) non-recurring fees and expenses approved by Agent in its Permitted Discretion (ix) the amount of business restructuring charges and fees, costs and expenses incurred between October 1, 2019 and December 31, 2019 approved by Agent in its Permitted Discretion, minus (b) to the extent added in calculating such Net Income, the aggregate amount of: (i) any non-cash gains during such period arising from the sale of capital assets, (ii) any non-cash gains during such period arising from the write-up of assets (other than with respect to accounts receivable or inventory), and (iii) any non-cash extraordinary gains during such period.

"***Eligible Account***" means, at any time of determination and subject to the criteria below, an Account of a Borrower, which was generated and billed by a Borrower in the Ordinary Course of Business, and which Agent, in its Permitted Discretion, deems to be an Eligible Account. The net amount of an Eligible Account at any time shall be the face amount of such Eligible Account as originally billed minus all customer deposits, unapplied cash collections and other Proceeds of such Account received from or on behalf of the Account Debtor thereunder as of such date and any and all returns, rebates, discounts (which may, at Agent's option, be calculated on shortest terms), credits, allowances or excise taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time. Without limiting the generality of the foregoing, the following Accounts shall not be Eligible Accounts:

(i) the Account Debtor or any of its Affiliates is an Affiliate of any Loan Party;

(ii) it remains unpaid longer than the earlier to occur of (A) the number of days after the original invoice date set forth in Section 4(a) of Annex I or (B) the number of days after the original invoice due date set forth in Section 4(b) of Annex I;

(iii) the Account Debtor or its Affiliates are past any of the applicable dates referenced in clause (ii) above on other Accounts owing to a Borrower comprising more than twenty-five (25%) percent of all of the Accounts owing to a Borrower by such Account Debtor or its Affiliates;

(iv) all Accounts owing by the Account Debtor or its Affiliates represent more than ten percent (10%) of all otherwise Eligible Accounts; provided, that such percentage for Amazon.com, Inc. shall be twenty-five percent (25%) of all otherwise Eligible US Accounts, and such percentage for Nurseryland shall be twenty percent (20%) of all otherwise Eligible Canadian Accounts, in each case unless otherwise determined by Agent in its Permitted Discretion; provided, further, that Accounts which are deemed to be ineligible solely by reason of this clause (iv) shall be considered Eligible Accounts to the extent of the amount thereof which does not exceed the applicable percentages of all otherwise Eligible Accounts;

(v) a covenant, representation or warranty contained in this Agreement or any other Loan Document with respect to such Account (including any of the representations set forth in Section 7.4) has been breached;

(vi) the Account is subject to any contra relationship, counterclaim, dispute or set-off; provided, that Accounts which are deemed to be ineligible by reason of this clause (vi) shall be considered ineligible only to the extent of such applicable contra relationship, counterclaim, dispute or set-off;

(vii) the Account Debtor's chief executive office or principal place of business is located outside of the United States or Canada;

(viii) it is payable in a currency other than Dollars or Canadian Dollars;

(ix) it (a) is not absolutely owing to a Borrower or (b) arises from a sale on a bill-and-hold, guarantied sale, sale-or-return, sale-on-approval, consignment, retainage or any other repurchase or return basis or (c) consist of progress billings or other advance billings that are due prior to the completion of performance by a Borrower of the subject contract for goods or services;

(x) the Account Debtor is (A) the United States of America or any state or political subdivision (or any department, agency or instrumentality thereof), unless such Borrower has complied with the Assignment of Claims Act or other applicable similar state or local law in a manner reasonably satisfactory to Agent, (B) Her Majesty the Queen in Right of Canada or any department, agency or instrumentality thereof, unless such Borrower grants to the Agent by way of absolute assignment and as security, its right to payment of such Account pursuant to and in full compliance with, and all other steps deemed necessary by the Agent have been taken under, the Financial Administration Act (Canada), as amended, or (C) a Crown corporation, any other government or other governmental body if such Account cannot be the object of a valid first ranking Lien in favor of the Agent without special formalities or requirements, unless such formalities or requirements have been performed to the full satisfaction of the Agent;

(xi) it is not at all times subject to Agent's duly perfected, first-priority security interest or is subject to any other Lien that is not a Permitted Lien, or the goods giving rise to such Account were, at the time of sale, subject to any Lien that is not a Permitted Liens;

(xii) it is evidenced by Chattel Paper or an Instrument of any kind (unless such Chattel Paper or Instrument is delivered to Agent in accordance with Section 5.2) or has been reduced to judgment;

(xiii) the Account Debtor's total indebtedness to Borrowers exceeds the amount of any credit limit established by Borrowers or Agent or the Account Debtor is otherwise deemed not to be creditworthy by Agent in its Permitted Discretion; provided, that Accounts which are deemed to be ineligible solely by reason of this clause (xiii) shall be considered Eligible Accounts to the extent the amount of such Accounts does not exceed the lower of such credit limits;

(xiv) there are facts or circumstances existing, or which could reasonably be anticipated to occur, which might result in an adverse change in the Account Debtor's financial condition or impair or delay the collectability of all or any portion of such Account as determined by Agent in its Permitted Discretion;

(xv) Agent has not been furnished with all documents and other information pertaining to such Account which Agent has requested, or which any Borrower is obligated to deliver to Agent, pursuant to this Agreement;

(xvi) Any Borrower has made an agreement with the Account Debtor to extend the time of payment thereof beyond the time periods set forth in clause (ii) above;

(xvii) Any Borrower has posted a surety or other bond in respect of the contract or transaction under which such Account arose;

(xviii) the Account Debtor is subject to any proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law;

(xix) the sale giving rise to such Account is on cash in advance or cash on delivery terms;

(xx) the goods giving rise to such Account have been sold by a Borrower to the Account Debtor outside such Borrower’s Ordinary Course of Business or the services giving rise to such Account have been performed by Borrower outside such Borrower’s Ordinary Course of Business;

(xxi) Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor;

(xxii) the Account Debtor on such Accounts is located in any jurisdiction which adopts a statute or other requirement that any Person that obtains business from within such jurisdiction or is otherwise subject to such jurisdiction’s tax law must file a “Business Activity Report” (or other applicable report) or make any required filings in a timely manner in order to enforce its claims in such jurisdiction’s courts or arising under such jurisdiction’s laws; provided, however, that such Accounts shall nonetheless be Eligible Accounts if such Borrower has filed a “Business Activity Report” (or other applicable report or required filing); or

(xxiii) Accounts arising from a sale for personal, family or household purposes or defined as Consumer Goods.

"***Eligible Inventory***" means, at any time of determination and subject to the criteria below, Inventory owned by Borrower consisting of finished goods, merchantable and readily saleable in the Borrower's Ordinary Course of Business which Agent, in its Permitted Discretion, deems to be Eligible Inventory. Without limiting the generality of the foregoing, the following Inventory will not be Eligible Inventory:

(xxiv) it consists of work-in-progress;

(xxv) it is not in good, new and saleable condition;

(xxvi) it is slow-moving, obsolete, damaged, contaminated, unmerchantable, returned, rejected, discontinued or repossessed;

(xxvii) it is in the possession of a processor, consignee or bailee, or located on premises leased or subleased to a Borrower, or on premises subject to a mortgage in favor of a Person other than Agent, unless such processor, consignee, bailee or mortgagee or the lessor or sublessor of such premises, as the case may be, has executed and delivered all documentation which Agent shall require to evidence the subordination or other limitation or extinguishment of such Person's rights with respect to such Inventory and Agent's right to gain access thereto; provided, that, at the election of Agent in its sole discretion, this clause (iv) may be waived by Agent in its sole discretion;

(xxviii) it consists of fabricated parts, consigned items, supplies or packaging;

(xxix) it fails to meet all standards imposed by any Governmental Authority;

(xxx) it does not conform in all respects to any covenants, warranties and representations set forth in this Agreement and each other Loan Document;

(xxxi) it is not at all times subject to Agent's duly perfected, first priority security interest and no other Lien except a Permitted Lien;

(xxxii) it is purchased or manufactured pursuant to a license agreement that is not assignable to each of Agent and its transferees;

(xxxiii) it is situated at a Collateral location not listed in Section 1(c) of the Perfection Certificate or other location of which Agent has been notified as required by Section 7.8 (or it is in-transit other than in transit between a Borrower's facilities or is at a location described in Section 6.7(b)(iv) and (v));

(xxxiv) it is located at any third-party site if the aggregate book value of all Inventory located at such site is less than $100,000 or if it is at a location described in Section 6.7(b)(iv) and (v);

(xxxv) it is located outside of the continental United States or Canada; and

(xxxvi) it is aged over (a) 24 months for inventory of Hydrofarm, LLC (b) 12 months for inventory of Hydrofarm Canada, LLC or (b) 12 months for inventory of Sunblaster Holdings ULC.

"***Encina***" means Encina Business Credit, LLC, a Delaware limited liability company.

"***Enforcement Action***" means any action to enforce any Obligations or Loan Documents or to exercise any rights or remedies relating to any Collateral, whether by judicial action, selfhelp, notification of Account Debtors, setoff or recoupment, credit bid, deed in lieu of foreclosure, action in any proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law or otherwise.

"***ERISA***" means the Employee Retirement Income Security Act of 1974 and all rules, regulations and orders promulgated thereunder.

"***ERISA Affiliate***" means any trade or business (whether or not incorporated) under common control with a Loan Party within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code and Section 302 of ERISA).

"***ERISA Event***" means: (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of any Loan Party or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by a Loan Party or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon a Loan Party or any ERISA Affiliate.

"***Event of Default***" has the meaning set forth in Section 11.1.

"***Excess Availability***" means the amount, as determined by Agent, calculated at any date, equal to the(a) the lesser of (i) the Maximum Revolving Facility Amount minus (A) Reserves, minus (B) the Availability Block and (ii) the Borrowing Base, minus (b) the sum of (i) the outstanding balance of all Revolving Loans plus (ii) fees and expenses which are due and payable by any Borrower under this Agreement but which have not been paid or charged to the Loan Account; provided, that if any of the Loan Limits for Revolving Loans is exceeded as of the date of calculation, then Excess Availability shall be zero.

"***Excluded Property***" means (i) any Restricted Account; (ii) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien under this Agreement and (y) prohibits the creation by an Obligor of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest; (iii) any equity interest in any Foreign Subsidiary (x) that is not a first-tier Subsidiary of an Obligor, (y) that the granting of a Lien thereon is prohibited by the laws of the jurisdiction of organization of such Foreign Subsidiary or (z) to the extent the same represents, for all Obligors in the aggregate, more than 65% of the total combined voting power ofall classes of capital stock or similar equity interests of such Foreign Subsidiary which are entitled tovote; (iv) any general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise (but not the proceeds thereof), if the grant of a Lien in such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise in the manner contemplated by the Loan Documents is prohibited by the terms of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise and would result in the termination of such general intangible, instrument, software, license, permit, lease, contract, governmental approval or franchise, but only to the extent that any such prohibition is not rendered ineffective pursuant to the Uniform Commercial Code, the PPSA or any other Applicable Law or principles of equity; (v) upon the written consent of Agent, any equity interests in any pledged entity acquired on or after the Closing Date that is not a Subsidiary of an Obligor, if the terms of the Governing Documents of such pledged entity do not permit the grant of a security interest in such equity interests by the owner thereof or the applicable Obligor has been unable to obtain any approval or consent to the creation of a security interest therein which is required under such Governing Documents, (vi) any property or asset to the extent the burden of perfection would exceed the benefit to the Lenders as determined in writing by Agent in its Permitted Discretion (including without limitation the annotation of vehicle and other titles to reflect the Liens granted by the Loan Documents) provided, however, the foregoing exclusions shall in no way be construed (a) to apply if any such prohibition would be rendered ineffective under the UCC (including Sections 9-406, 9- 407 and 9-408 thereof), the PPSA or other Applicable Law (including the Bankruptcy Code) or principles of equity, (b) so as to limit, impair or otherwise affect Agent's unconditional continuing Liens upon any rights or interests of any Obligor in or to the proceeds thereof (including proceeds from the sale, license, lease or other disposition thereof), including monies due or to become due under any such lease, license, contract, or agreement (including any Accounts), or (c) to apply atsuch time as the condition causing such prohibition shall be remedied (including pursuant to a waiver thereof or a consent related thereto) and, to the extent severable, "Collateral" shall include any portion of such lease, license, contract, agreement or assets subject thereto that does not result in such prohibition.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of Agent or any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof); (b) in the case of a Non-U.S. Recipient (as defined in Section 13(e)), U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Non-U.S. Recipient with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which Non-U.S. Recipient becomes a party to this Agreement or acquires a participation, except in each case to the extent that, pursuant to Section 13 amounts with respect to such Taxes were payable to such Non-U.S. Recipient assignor (or Lender granting such participation) immediately before such assignment or grant of participation; (c) United States federal withholding Taxes that would not have been imposed but for such Recipient's failure to comply with Section 13(e) (except where the failure to comply with Section 13(e) was the result of a change in law, ruling, regulation, treaty, directive, or interpretation thereof by a Governmental Authority after the date the Recipient became a party to this Agreement or a Participant) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"***Existing ABL Agreement***" means that certain Amended and Restated Loan Agreement dated as of November 8, 2017 by and among the Bank of America, NA (the "Prior ABL Lender") and the Loan Party Obligors, as amended by that certain Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement dated as of May 18, 2018 (the "ABL Forbearance Agreement"), that certain First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement dated as of July 16, 2018 (the "ABL Second Amendment"), that certain Waiver and Third Amendment to Amended and Restated Loan and Security Agreement dated as of August 24, 2018 (the "ABL Third Amendment") and that certain Fourth Amendment to Amended and Restated Loan Agreement dated as of March 15, 2019 (the "ABL Fourth Amendment").

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"***FCCR Measurement Period***" means the applicable time period set forth below for such date:

| Date | Period |
|---|---|
| December 31, 2019 | Three-month period ended on that date |
| January 31, 2020 | Four-month period ended on that date |
| February 29, 2020 | Five-month period ended on that date |
| March 31, 2020 | Six-month period ended on that date |
| April 30, 2020 | Seven-month period ended on that date |
| May 31, 2020 | Eight-month period ended on that date |
| June 30, 2020 | Nine-month period ended on that date |
| July 31, 2020 | Ten-month period ended on that date |
| August 31, 2020 | Eleven-month period ended on that date |
| Last day of each month thereafter | Twelve-month period ended on that date |

"***FIRREA***" means the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

"***First Amendment Effective Date***" means October 15, 2019.

"***Fiscal Year***" means the fiscal year of Borrowers which ends on December 31 of each year.

"***Fixed Charge Coverage Ratio***" means the ratio, determined in a manner acceptable to Agent in its Permitted Discretion, as to any FCCR Measurement Period, of (a) EBITDA for such period, minus unfinanced Capital Expenditures of the Loan Party Obligors on a consolidated basis for such period, to (b) Fixed Charges for such period.

"***Fixed Charges***" means, for the period in question, on a consolidated basis, the sum of (a) all principal payments scheduled or required to be made during or with respect to such period in respect of Indebtedness of the Loan Party Obligors, plus (b) all Interest Expense of the Loan Party Obligors for such period paid or required to be paid in cash attributable to such period, plus (c) all taxes of the Loan Party Obligors paid or required to be paid for such period and plus (d) all cash distributions (including Permitted Tax Distributions, if applicable), dividends, redemptions and other cash payments made or required to be made during such period with respect to equity securities or subordinated debt issued by any Loan Party Obligors (other than payments with respect to the HHG Note).

"***Foreign Plan***" means any employee benefit plan or arrangement (a) maintained or contributed to by any Obligor or Subsidiary that is not subject to the laws of the United States or Canada; or (b) mandated by a government other than the United States or Canada for employees of any Obligor or Subsidiary.

"***Foreign Subsidiary***" means a Subsidiary that is a "controlled foreign corporation" under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary or a pledge of more than 65% of the voting equity of such Subsidiary, in each case to secure the Obligations, would result in material tax liability to Borrowers.

"***FRB***" means the Board of Governors of the Federal Reserve System or any successor thereto.

"***Funding Account***" has the meaning set forth in Section 2.3(b).

"***GAAP***" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the United States accounting profession) which are applicable to the circumstances as of the date of determination, in each case consistently applied.

"***Governing Documents***" means, with respect to any Person, the certificate of incorporation, articles of incorporation, certificate of formation, certificate of limited partnership, by-laws, operating agreement, limited liability company agreement, limited partnership agreement or other similar governance document of such Person.

"***Governmental Authority***" means the government of the United States of America, Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and having jurisdiction over this account.

"***Guaranty***" or "***Guarantied***", as applied to any Indebtedness, liability or other obligation, means (a) a guaranty, directly or indirectly, in any manner, including by way of endorsement (other than endorsements of negotiable instruments for collection in the Ordinary Course of Business), of any part or all of such Indebtedness, liability or obligation and (b) an agreement, contingent or otherwise, and whether or not constituting a guaranty, assuring, or intended to assure, the payment or performance (or payment of damages in the event of non- performance) of any part or all of such Indebtedness, liability or obligation by any means (including the purchase of securities or obligations, the purchase or sale of property or services or the supplying of funds).

"***HHG Note***" means the Subordinated Unsecured Promissory Note dated as of the date hereof issued by Holdings to Ultimate Parent, as such HHG Note may be amended, restated and increased from time to time in accordance with this Agreement and the HHG Subordination Agreement.

"***HHG Subordination Agreement***" means the Subordination Agreement, dated as of the date hereof, by and among the Agent, the Borrowers and the Loan Party Obligors.

"***Holdings***" means Hydrofarm Holdings, LLC, a Delaware limited liability company.

"***Hydrofarm***" means Hydrofarm, LLC, a California limited liability company.

"***Indebtedness***" means (without duplication), with respect to any Person, (a) all obligations or liabilities, contingent or otherwise, for borrowed money, (b) all obligations represented by promissory notes, bonds, debentures or the like, or on which interest charges are customarily paid, (c) all liabilities secured by any Lien on property owned or acquired, whether or not such liability shall have been assumed, (d) all obligations of such Person under conditional sale or other title-retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than (i) trade accounts and accrued expenses payable in the ordinary course of business and (A) not overdue by more than 90 days or (B) to the extent overdue by more than 90 days (but not more than 270 days) are being Properly Contested, (ii) any earn-out obligation to the extent such obligation is not required to be reflected on such Person's balance sheet in accordance with GAAP, (iii) accruals for payroll and other liabilities accrued in the Ordinary Course of Business), (f) all Capitalized Leases of such Person, (g) all obligations (contingent or otherwise) of such Person as an account party or applicant in respect of letters of credit and bankers' acceptances or in respect of financial or other hedging obligations, (h) all equity interests issued by such Person subject to repurchase or redemption at any time on or prior to the Scheduled Maturity Date, other than voluntary repurchases or redemptions that are at the sole option of such Person, (i) all principal outstanding under any synthetic lease, off-balance sheet loan or similar financing product and (j) all Guaranties, endorsements (other than for collection in the Ordinary Course of Business) and other contingent obligations in respect of the obligations of others.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"***Intellectual Property***" means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, Canadian multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks and trademark licenses and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"***Intercreditor Agreement***" means the Intercreditor Agreement dated as of the Closing Date among Agent, Term Loan Agent, and the Loan Party Obligors, as the same may be amended, amended and restated, and/or modified from time to time in accordance with the terms thereof and hereof.

"***Interest Expense***" means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

"***Inventory Advance Rate***" means the percentage(s) set forth in Section 1(b)(ii) of Annex I.

"***Inventory Sublimit***" means the amount(s) set forth in Section 1(d) of Annex I.

"***Investment Affiliate***" means any fund or investment vehicle that (a) is organized by a Person for the purpose of making equity or debt investments in one or more companies and (b) is controlled by, or under common control with, such Person. For purposes of this definition "control" means the power to direct or cause the direction of management and policies of a Person, whether by contract or otherwise.

"***Investment Corp***" means Hydrofarm Investment Corp, a Delaware corporation.

"***Investment Property***" means the collective reference to (a) all "investment property" as such term is defined in Section 9-102 of the UCC (or, in the case of Canadian Borrowers, the PPSA, as applicable), (b) all "financial assets" as such term is defined in Section 8-102(a)(9) of the UCC (or in the case of Canadian Borrowers, the PPSA, as applicable) and (c) whether or not constituting "investment property" as so defined, all Pledged Equity.

"***Issuers***" means the collective reference to each issuer of Investment Property.

"***Lender***" means each Person listed on the Commitment Schedule and any other Person that shall have become a Lender hereunder pursuant to an Assignment and Assumption, other than any such Person that ceases to be a Lender hereunder pursuant to an Assignment and Assumption. Unless the context expressly provides otherwise, "Lender" shall include the Swingline Lender.

"***LIBOR Loan***" means any Loan which bears interest at a rate determined by reference to the LIBOR Rate.

***"LIBOR Rate"*** means, for any calendar month, the rate (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/100 of 1%) for deposits in Dollars, for a one-month period, that appears on Bloomberg Screen US0001M (or the successor thereto) as the London interbank offered rate for deposits in Dollars as of 11:00 a.m., London time, as of two Business Days prior to the first day of such calendar month (and, in no event shall the LIBOR Rate shall be less than 1.75%), which determination shall be made by Agent and shall be conclusive in the absence of manifest error. For the sake of clarity, the LIBOR Rate shall be adjusted monthly on the first day of each month.

"***Lien***" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest or other security arrangement and any other preference, priority, or preferential arrangement in the nature of a security interest of any kind or nature whatsoever, including any conditional sale contract or other title-retention agreement, the interest of a lessor under a Capitalized Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

"***Loan Account***" has the meaning set forth in Section 3.4.

"***Loan Documents***" means, collectively, this Agreement (including the Perfection Certificate(s) and all other attachments, annexes and exhibits hereto) and all notes, guaranties, security agreements, mortgages, Borrowing Base Certificates, Compliance Certificates, other certificates, pledge agreements, landlord's agreements, Lock Box and Blocked Account agreements, the Canadian Security Agreement, the Subordinated Debt Subordination Agreement, the Intercreditor Agreement and all other agreements, documents and instruments now or hereafter executed or delivered by any Borrower, any Loan Party, or any Other Obligor in connection with, or to evidence the transactions contemplated by, this Agreement.

"***Loan Guaranty***" means the obligations of Obligors pursuant to Section 12.

"***Loan Limits***" means, collectively, the Loan Limits for Revolving Loans set forth in Section 1 of Annex I, the Canadian Loan Limit and all other limits on the amount of Loans set forth in this Agreement.

"***Loan Party***" means, individually, each Borrower, or any Subsidiary that is a Loan Party; and "Loan Parties" means, collectively, each Borrower and all Subsidiaries.

"***Loan Party Obligor***" means, individually, each Borrower, or any Obligor that is a Loan Party, Holdings and EHH and any Person identified in the Preamble as a Loan Party Obligor; and "Loan Party Obligors" means, collectively, each Borrower, and each Loan Party Obligor.

"***Loans***" means, collectively, the Revolving Loans (including any Protective Advances and Overadvances) and the Swingline Loans.

"***Lock Box***" has the meaning set forth in Section 6.1.

"***Material Adverse Effect***" means any event, act, omission, condition or circumstance which, which individually or in the aggregate, has or could reasonably be expected to have a material adverse effect on (a) the business, operations, properties, assets or financial condition of any Loan Party or any Other Obligor, as applicable, (b) the ability of any Loan Party or any Other Obligor, as applicable, to perform any of its obligations under any of the Loan Documents, (c) the validity or enforceability of, or Lender's rights and remedies under, any of the Loan Documents, (d) the ability of Agent and Lenders realize upon any ABL Priority or any other material Collateral in which Agent has previously perfected a Lien or (e) the existence, perfection or priority of any security interest granted in any Loan Document and covering ABL Priority Collateral or any other material Collateral in which Agent has previously perfected a Lien.

"***Material Contract***" means, any agreement or arrangement to which an Obligor or Subsidiary is party (other than the Loan Documents and the Term Loan Documents) (a) that is deemed to be a material contract under any securities law applicable to such Person, including the Securities Act of 1933; (b) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (c) that relates to either (x) Subordinated Debt or (y) Debt, in the case of this clause (y), in an aggregate amount of $500,000 or more.

"***Maturity Date***" means the earlier of (i) Scheduled Maturity Date, (ii) the Termination Date, or (iii) such earlier date as the Obligations may be accelerated in accordance with the terms of this Agreement (including pursuant to Section 11.2).

"***Maximum Lawful Rate***" has the meaning set forth in Section 3.5.

"***Maximum Liability***" has the meaning set forth in Section 12.9.

"***Maximum Revolving Facility Amount***" means the amount set forth in Section 1(a) of Annex I.

"***Merge***" in reference to any Person which is an entity, means the amalgamation or merger between two (2) or more separate Persons into one (1) surviving entity.

~~"***Minimum Excess Availability Amount***" means $5,000,000.~~

"***Multiemployer Plan***" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which a Loan Party or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"***Net Income***" means, for any fiscal period, the Net Income (or loss) of Holdings, the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication: (a) the net income (or loss) of any Person (other than a Subsidiary of Holdings) in which any Person other than Holdings, a Borrower or any of their Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by Holdings, a Borrower or any of their Subsidiaries from such Person during such period, (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of Holdings or is merged into or consolidated with Holdings, a Borrower or any of their Subsidiaries or that Person's assets are acquired by Holdings, a Borrower or any of their Subsidiaries, (c) the net income of any Subsidiary of Holdings during such period to the extent that the declaration and/or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its organizational documents or any agreement, instrument, order or other legal requirement applicable to that Subsidiary or its equityholders during such period, and (d) the cumulative effect of a change in accounting principles.

"***NOLV***" means the applicable Net Orderly Liquidation Value as determined by the most current third-party appraisal report, performed by an appraisal firm retained by the Agent for such appraisal project with respect to the Eligible Inventory, and in form and substance acceptable to Agent.

"***Non-Consenting Lender***" has the meaning set forth in Section 15.5(b).

***"Non-Paying Guarantor"*** has the meaning set forth in Section 12.10.

***"Non-U.S. Recipient"*** has the meaning set forth in Section 13(e)(ii).

***"Notice of Borrowing"*** has the meaning set forth in Section 2.3.

"***Obligations***" means all present and future Loans, advances, debts, liabilities, fees, expenses, obligations, guaranties, covenants, duties and indebtedness at any time owing by any Borrower or any Loan Party Obligor to Agent and Lenders, whether evidenced by this Agreement, any other Loan Document or otherwise, whether arising from an extension of credit, guaranty, indemnification or otherwise, whether direct or indirect (including those acquired by assignment and any participation by any Lender in any Borrower's indebtedness owing to others), whether absolute or contingent, whether due or to become due and whether arising before or after the commencement of a proceeding under the Bankruptcy Code or any similar statute.

"***Obligor***" means any guarantor, endorser, acceptor, surety or other Person liable on, or with respect to, any of the Obligations or who is the owner of any property which is security for any of the Obligations, other than Borrower.

"***Ordinary Course of Business***" means, in respect of any transaction involving any Person, the ordinary course of business of such Person, as conducted by such Person as of the Closing Date and any practices that are utilized to improve past practices or to conform with customary operating procedures for a similar business, as reasonably determined by such Person.

"***Other Obligor***" means any Obligor other than any Loan Party Obligor.

"***Other Taxes***" means all present or future stamp, court or documentary, property, excise, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document.

"***Overadvances***" has the meaning set forth in Section 2.2(b)."Participant" has the meaning set forth in Section 15.10(b).

"***Paying Guarantor***" has the meaning set forth in Section 12.10.

**"*PBGC*"** means the Pension Benefit Guaranty Corporation.

**"*Pension Act*"** means the Pension Protection Act of 2006.

"***Pension Funding Rules***" means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and Multiemployer Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA, and any sections of the Code or ERISA related thereto that are enacted after the date of this Agreement.

"***Pension Plan***" means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by a Loan Party and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

"***Perfection Certificate***" means the Perfection Certificate completed by Borrowers and Obligors and attached hereto and incorporated herein by this reference, and any supplements or updates thereto delivered to Lender in accordance herewith.

"***Permitted Affiliate Sub Debt***" means (x) Indebtedness of Holdings to an Affiliate, (y) the HHG Note and (z) solely to the extent funded in its entirety from the proceeds of Permitted Affiliate Sub Debt of Holdings to an Affiliate, Indebtedness of the Borrower Representative to Holdings, in each case, that (a) is unsecured, (b) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (c) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, December 31, 2022, (d) provides for payments of interest solely in- kind (and not in cash) until not earlier than December 31, 2022, (e) does not contain any financial covenants, (f) is not cross-defaulted (but may be cross- accelerated) to the Loan Documents, and (g) is subject to permanent standstill provisions.

"***Permitted Asset Disposition***" means an Asset Disposition that is (a) a sale or lease of Inventory in the Ordinary Course of Business; (b) termination of a lease of real or personal Property that is not necessary for the Ordinary Course of Business, could not reasonably be expected to have a Material Adverse Effect and does not result from an Obligor's default; (c) a lease or sublease of Real Estate in the Ordinary Course of Business; (d) a license or sublicense of Intellectual Property (including any non-exclusive license of Intellectual Property) entered into in the Ordinary Course of Business; (e) an Asset Disposition, abandonment or lapse of Intellectual Property that is immaterial or no longer used or the expiration of Intellectual Property in accordance with its statutory term; (f) an Asset Disposition of cash equivalents in the Ordinary Course of Business; (g) an Asset Disposition of Property to a Borrower or any Wholly Owned Loan Party (other than Holdings); (h) Restricted Payments by the Loan Parties and their Subsidiaries, in each case to the extent expressly permitted by Section 8(l); (i) the discount, write-down, sale or other Asset Disposition in the Ordinary Course of Business of trade or accounts receivable more than 120 days past due in an aggregate amount not to exceed $500,000 during any 12-month fiscal period; (j) approved in writing by Agent; or (k) as long as no Default or Event of Default exists, (i) an Asset Disposition of any Property which is to be replaced, and is in fact replaced, or subject toa binding contract to be replaced, within 180 days with another asset useful in the Obligors' business (so long as Agent has a first priority and perfected Lien on any newly acquired asset, subject to the terms of the Intercreditor Agreement), (ii) Asset Dispositions of Property (other than Accounts or Inventory) that, in the aggregate during any 12-month fiscal period, has a fair market or book value (whichever is more) of $500,000 or less, (iii) Asset Dispositions of Property (other than Accounts or Inventory) that is obsolete or no longer used or useful in the business or Inventory that is unmerchantable or otherwise unsalable in the Ordinary Course of Business, or (iv) replacement of Equipment that is worn, damaged or obsolete with Equipment of like function and value, if the replacement Equipment is acquired substantially contemporaneously with such disposition (or such longer period consented to by Agent) and is free of Liens other than Permitted Liens.

"***Permitted Discretion***" means a determination made by Agent in good faith and in the exercise of reasonable (from the perspective of an asset-based secured lender) business judgment.

"***Permitted Indebtedness***" means: (a) the Obligations; (b) the Indebtedness existing on the date hereof described in Section 7 of the Perfection Certificate; in each case along with extensions, refinancings, modifications, amendments and restatements thereof; provided, that (i) the principal amount thereof is not increased (other than by accrued interest that is added to the principal amount of such Indebtedness), (ii) if secured by a Permitted Lien, no additional collateral beyond that existing as of the Closing Date is granted to secure such Indebtedness; (iii) if such Indebtedness is subordinated to any or all of the Obligations, the applicable subordination terms shall not be modified without the prior written consent of Agent and (iv) the terms thereof are not modified to impose more burdensome terms upon any Loan Party (v) it has a final maturity date no sooner than, a weighted average life no less than, and an interest rate no greater than, the Indebtedness being extended, renewed, or refinanced; (c) Permitted Purchase Money Debt; (d) Indebtedness incurred as a result of endorsing negotiable instruments received in the Ordinary Course of Business; (e) Subordinated Debt (other than HHG Note) in an aggregate amount outstanding at any time not in excess of $1,000,000 and then solely to the extent the applicable Subordinated Debt is subject to, and permitted by, the applicable Subordinated Debt Subordination Agreement; (f) Indebtedness in respect of appeal bonds, workers' compensation claims, self- insurance obligations and bankers acceptances, in each case, issued for the account of any Obligor in the Ordinary Course of Business, including guarantees or obligations of any Obligor with respect to Letters of Credit supporting such appeal bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for borrowed money); (g) the Term Loan Obligations so long as the loans thereunder do not exceed the Term Loan Maximum Amount (as defined in the Intercreditor Agreement), subject to the limitations set forth in the Intercreditor Agreement; (h) Permitted Intercompany Loans; (i) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business; (j) Subordinated Debt of any Loan Party to repurchase equity interests from any employee, officer, director or such person's spouse, estate or estate planning vehicle upon the death, disability or termination of employment of such employee, officer or director so long as (x) no Default or Event of Default has occurred and is continuing or would occur as a result thereof, and (y) the aggregate amount of Indebtedness outstanding under this clause (j) does not exceed $1,000,000 in the aggregate at any time; (k) arising as a result of an unsecured Guaranty by Holdings of the Indebtedness, Real Property lease or other obligation of a Loan Party permitted by this Agreement (provided, that if any such Indebtedness, lease or other obligation is subordinated to the Obligations, any such Holdings guaranty shall be subordinated to the Obligations on terms no less favorable to the Agent and the Lenders as compared to the subordination terms applicable to such Indebtedness, lease or other obligations) (l) Indebtedness consisting of any final judgment rendered against any Loan Party that has not been paid, discharged or vacated or had execution thereof stayed pending appeal prior to such final judgment constitution an Event of Default in accordance with Section 11(d) hereof; (m) Indebtedness that is not included in any of the preceding clauses of this Definition, is not secured by a Lien and does not exceed $500,000; (n) all premium (if any), interest, fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (m) above, (p) the Asset Acquisition Earnout Obligations; (q) any Indebtedness associated with sections (d), (e), (i) and (n) of the Permitted Liens as defined below and (r) the HHG Note.

"***Permitted Intercompany Loans***" means (a) intercompany loans by a U.S. Obligor to another U.S. Obligor, (b) intercompany loans by a Canadian Obligor to another Canadian Obligor, (c) intercompany loans by a U.S. Obligor to a Canadian Obligor in an amount not to exceed $500,000 at any time and so long as immediately before and after giving effect to such loans by a U.S. Obligor to a Canadian Obligor, and no Default or Event of Default exists, and (d) intercompany loans by a Canadian Obligor to a U.S. Obligor.

"***Permitted Liens***" means (a) Liens securing Permitted Purchase Money Debt; (b) liens for taxes, fees, assessments, or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained provided the same have no priority over any of Agent's security interests; (c) liens incurred or deposits made in the Ordinary Course of Business to secure the performance of government tenders, bids, contracts, statutory obligations and other similar obligations, as long as such liens are at all times junior to the liens in favor of the Agent; (d) liens existing on the Closing Date and set forth in Section 8 of the Perfection Certificate; (e) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness; (f) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods; (g) liens of materialmen, mechanics, carriers, or other similar liens arising in the Ordinary Course of Business and securing obligations which are not delinquent or are being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the enforcement of such lien) for which adequate reserves in accordance with GAAP are being maintained; (h) liens which constitute banker's liens, rights of set-off, or similar rights as to deposit accounts or other funds maintained with a bank or other financial institution (but only to the extent such banker's liens, rights of set-off or other rights are in respect of customary service charges relative to such deposit accounts and other funds, and not in respect of any loans or other extensions of credit by such bank or other financial institution to any Loan Party); (i) cash deposits or pledges of an aggregate amount not to exceed $100,000 to secure the payment of worker's compensation, unemployment insurance, or other social security benefits or obligations, public or statutory obligations, surety or appeal bonds, bid or performance bonds, or other obligations of a like nature incurred in the Ordinary Course of Business; (j) judgment Liens in respect of judgments that do not constitute an Event of Default; (k) easements, rights-of-way, restrictions, covenants or other agreements of record, and other similar charges or encumbrances, or any encroachments, on Real Estate, that do not secure any monetary obligation and do not interfere with the Ordinary Course of Business; (l) leases, subleases, licenses or sublicenses of the Property of any Loan Party, in each case entered into in the Ordinary Course of Business of such Loan Party which do not (i) interfere in any material respect with the business of any Loan Party or any Subsidiary and (ii) secure any Indebtedness; (m) licenses or sublicenses of Intellectual Property granted by any Obligor in the Ordinary Course of Business; (n) Liens on an insurance policy of any Obligor and the identifiable cash proceeds thereof in favor of the issuer of such policy and securing Debt permitted to finance the premiums of such policies; and (o) Liens securing the Term Loan Obligations as permitted by, and subject to, the Intercreditor Agreement.

"***Permitted Purchase Money Debt***" means Purchase Money Debt of the Loan Parties and Subsidiaries that is unsecured or secured only by a Purchase Money Lien, as long as the aggregate amount of Permitted Purchase Money Debt outstanding does not exceed $1,000,000 at any time.

"***Permitted Tax Distributions***" means, with respect to any taxable year with respect to which Hydrofarm is a disregarded entity for U.S. federal and state income tax purposes and is a partnership for U.S. federal and state income tax purposes, distributions by Hydrofarm (which may further distribute to its direct owner(s)) in an aggregate amount equal to the sum of (x) the product of (i) the aggregate net taxable income for such taxable year (or portion thereof), taking into account any depreciation (or other cost recovery) in respect of basis adjustments under Section 734 or Section 743 of the Code, and reduced by any cumulative net taxable losses with respect to all prior taxable years (determined as if all such periods were one period) to the extent such cumulative net taxable loss is of the same character (ordinary or capital) and (ii) the lesser of (a) the highest combined marginal federal and state income tax rate (taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes and the character of the taxable income in question (i.e., long term capital gain, qualified dividend income, etc.)) applicable to an individual resident in California for the taxable year in question (or portion thereof) and (b) 40%, plus (y) solely to the extent that (A) one or more holders of equity interests is a resident of California (each such holder that is a resident of California is herein referred to as an "Applicable Holder"), and (B) the amount of such Tax Distribution is determined by reference to clause (x)(ii)(b) above, the aggregate amount by which the actual federal and state income tax liability of each such Applicable Holder for such taxable year with respect to the net tax taxable income of allocated to such Applicable Holder (such Applicable Holder's "Allocated Taxable Income") for such taxable year exceeds the product of (a) 40%, times (b) such Allocated Taxable Income; provided that such cash distributions shall be reduced by amounts withheld by any Obligor (or otherwise paid directly to any taxing authority) with respect to any taxable income or gain of or any Subsidiary (including all amounts paid with composite tax returns and amounts paid by any Obligor pursuant to Section 6225 of the Code) and any income tax credits allocated to any direct or indirect members of (to the extent reasonably determines that such tax credits may be utilized by the direct or indirect owners of Holdings).

"***Person***" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, government or any agency or political division thereof, or any other entity.

"***Plan***" means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan) maintained for employees of any Loan Party or any such plan to which any Loan Party (or with respect to any plan subject to Section 412 of the Code or Section 302 or Title IV of ERISA, any ERISA Affiliate) is required to contribute on behalf of any of its employees.

"***Pledged Equity***" means the equity interests listed on Sections 1(f) and 1(g) of the Perfection Certificate, together with any other equity interests, certificates, options, or rights or instruments of any nature whatsoever in respect of the equity interests of any Person that may be issued or granted to, or held by, any Loan Party Obligor while this Agreement is in effect, and including, to the extent attributable to, or otherwise related to, such pledged equity interests, all of such Loan Party Obligor's (a) interests in the profits and losses of each Issuer, (b) rights and interests to receive distributions of each Issuer's assets and properties and (c) rights and interests, if any, to participate in the management of each Issuer related to such pledged equity interests.

"***PPSA***" means, at any given time, the personal property security legislation as adopted and in effect at such time in the applicable Canadian province or territory where a Canadian Borrower is subsisting, located, or has assets.

"***Pro Rata Share***" means with respect to all matters relating to any Lender the percentage obtained by dividing (i) the Loan Commitment of that Lender by (ii) the aggregate Loan Commitments of all Lenders, in each case as any such percentages may be adjusted by assignments pursuant to an Assignment and Assumption

"***Protective Advances***" has the meaning set forth in Section 2.2(a).

"***Properly Contested***" means with respect to any obligation of an Obligor, (a) the obligation is subject to a bona fide dispute regarding amount or the Obligor's liability to pay; (b) the obligation is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; (c) appropriate reserves have been established in accordance with GAAP; (d) non-payment would not have a Material Adverse Effect, nor result in forfeiture or sale of any assets of the Obligor; (e) no Lien is imposed on assets of the Obligor, unless bonded and stayed to the satisfaction of Agent; and (f) if the obligation results from entry of a judgment or other order, such judgment or order is stayed pending appeal or other judicial review.

"***Purchase Money Debt***" means (a) Indebtedness (other than the Obligations) for payment of any of the purchase price of fixed assets or payments pursuant to a Capital Lease of fixed assets, (b) Indebtedness (other than the Obligations) incurred within ten (10) days before or after acquisition of any fixed assets, for the purpose of financing any of the purchase price thereof, and (c) any renewals, extensions or refinancings (but not increases) thereof; provided, that, in no event shall the amount of Purchase Money Debt exceed the purchase price of the assets being financed in respect thereof.

"***Purchase Money Lien***" means a Lien that secures Purchase Money Debt, encumbering only the fixed assets acquired with such Indebtedness and constituting a Capital Lease or a purchase money security interest under the Uniform Commercial Code or the PPSA.

"***Real Estate***" all right, title and interest (whether as owner, lessor or lessee) in any real property or any buildings, structures, parking areas or other improvements thereon.

"***Recipient***" means any Agent, any Lender, any Participant, or any other recipient of any payment to be made by or on account of any Obligation of any Loan Party under this Agreement or any other Loan Document, as applicable.

"***Register***" has the meaning set forth in Section 15.9(c).

"***Released Parties***" has the meaning set forth in Section 10.1.

"***Replacement Lender***" has the meaning set forth in Section 3(c).

"***Reportable Event***" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the thirty-day notice period has been waived.

"***Required Lenders***" means at any time Lenders (other than Defaulting Lenders) then holding at least fifty-one (51%) percent of the sum of the aggregate Loan Commitment then in effect; provided, that if there are two or more Lenders, then Required Lenders shall include at least two Lenders (Lenders that are Affiliates or Approved Funds of one another being considered as one Lender for purposes of this proviso).

"***Reserves***" has the meaning set forth in Section 2.1(b).

"***Restricted Accounts***" means Deposit Accounts (a) established and used (and at all times will be used) solely for the purpose of paying current payroll obligations of Loan Parties (and which do not (and will not at any time) contain any deposits other than those necessary to fund current payroll), in each case in the Ordinary Course of Business, or (b) maintained (and at all times will be maintained) solely in connection with an employee benefit plan, but solely to the extent that all funds on deposit therein are solely held for the benefit of, and owned by, employees (and will continue to be so held and owned) pursuant to such plan.

"***Restricted Investment***" means any investment by a Loan Party other than investments permitted by Section 8(f).

"***Restricted Payment***" means (a) any declaration or payment of a distribution, interest or dividend on, any payment on account of, or any setting apart assets for a sinking or other analogous fund for, any Equity Interest or Equity Interests Equivalents, (b) any distribution, advance or repayment of any Indebtedness to a direct or indirect holder of Equity Interests or Equity Interests Equivalents, or (c) any purchase, redemption, or other acquisition or retirement for value of, or any setting apart assets for a sinking or other analogous fund for the purchase, redemption, or other acquisition or retirement for value of, any Equity Interest or Equity Interests Equivalents.

"***Revolving Loan Commitment***" means (a) as to any Lender, the aggregate commitment of such Lender to make Revolving Loans as set forth in the Commitment Schedule or in the most recent Assignment and Assumption to which it is a party (as adjusted to reflect any assignments as permitted hereunder) and (b) as to all Lenders, the aggregate commitment of all Lenders to make Revolving Loans, which aggregate commitment shall be in an amount equal to the Maximum Revolving Facility Amount.

"***Revolving Loans***" has the meaning set forth in Section 2.1(a).

"***Scheduled Maturity Date***" means the earlier of the date (a) set forth in Section 6 of Annex I or (b) that is 90 days prior to the scheduled maturity date of the Term Loan Facility.

"***Second Amendment Effective Date***" means November 26, 2019.

"***Securities Act***" means the Securities of Act of 1933, as amended.

"***Settlement***" has the meaning set forth in Section 2.4(c).

"***Settlement Dat***e" has the meaning set forth in Section 2.4(c).

"***Sponsor Group***" means (i) Hawthorn Equity Partners and its Controlled Investment Affiliates, (ii) Broadband Capital Investments and its Controlled Investment Affiliates, (iii) Serruya Private Equity and its Controlled Investment Affiliates, (iv) BCM X3 Holdings, LLC and its Controlled Investment Affiliates, (v) Aaron Serruya, Michael Serruya, Simon Serruya and Jacques Serruya, individually and each such individual's Controlled Investment Affiliates.

"***Stated Rate***" has the meaning set forth in Section 3.5.

"***Subordinated Debt***" means (a) any Permitted Affiliate Sub Debt and (b) any other Indebtedness incurred by an Obligor that (i) is unsecured, (ii) is fully and completely subordinated to the prior payment in full of the Obligations for the benefit of, and to, the Lenders pursuant to a subordination agreement, which shall, in each case, be in form and substance satisfactory to Agent in its sole discretion, (iii) has a final maturity date that is not earlier than, and provides for no scheduled payments of principal or mandatory redemption obligations prior to, December 31, 2022 (iv) provides for payments of interest solely in-kind (and not in cash) until not earlier than December 31, 2022, (v) does not contain any financial covenants, (vi) is not cross-defaulted (but may be cross-accelerated) to the Loan Documents, (vii) is subject to permanent standstill provisions, and (viii) is otherwise on terms (including maturity, interest, fees, repayment, covenants and subordination) satisfactory to Agent in its sole discretion. For the avoidance of doubt, Subordinated Debt shall not include the HHG Note.

"***Subordinated Debt Documents***" means all documents governing any Subordinated Debt as permitted under the applicable Subordinated Debt Subordination Agreement as amended, restated or otherwise modified from time to time.

"***Subordinated Debt Subordination Agreement***" means any subordination agreement governing Subordinated Debt entered into by Agent and the applicable holder of such Subordinated Debt (or agent thereof) as amended, restated or otherwise modified from time to time.

"***Subsidiary***" means any corporation or other entity of which a Person owns, directly or indirectly, through one or more intermediaries, more than 50% of the capital stock or other equity interest at the time of determination. Unless the context indicates otherwise, references to a Subsidiary shall be deemed to refer to a Subsidiary of Borrower.

"***Swap Obligations***" means with respect to any Borrower or Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"***Swingline Lender***" means Encina in its capacity as lender of Swingline Loans hereunder.

"***Swingline Loans***" has the meaning set forth in Section 2.4(a).

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Term Loan Agent***" means Brightwood Loan Services LLC, in its capacity as administrative agent under the Term Loan Facility, as its successors and assigns.

"***Term Loan Documents***" has the meaning assigned to the term "Term Loan Documents" in the Intercreditor Agreement.

"***Term Loan Facility***" (i) that certain Credit Agreement, dated as of May 12, 2017 among the Obligors, the Term Loan Agent and the Term Loan Lenders, as amended by that certain Amendment No. 1 to Credit Agreement dated as of September 21, 2017 ("***TL Amendment No. 1***"), that certain Amendment No. 2 to Credit Agreement dated as of November 8, 2017 ("***TL Amendment No. 2***"), that certain Forbearance Agreement and Amendment to Credit Agreement dated as of May 18, 2018 (the "***TL Forbearance***"), that certain Amendment No. 1 to Forbearance Agreement dated as of July 16, 2018 (the "***TL Forbearance Amendment***"), that certain Waiver and Amendment No. 3 to Credit Agreement dated as of August 24, 2018 ("***TL Amendment No. 3***"), that certain Amendment No. 4 to Credit Agreement dated as of March 15, 2019 ("***TL Amendment No. 4***"), that certain Amendment No. 5 to Credit Agreement dated as of the Closing Date and as may be further amended, amended and restated, modified or supplemented from time to time in accordance with the terms hereof and of the Intercreditor Agreement, and (ii) any other credit agreement, debt facility, loan agreement, note agreement, promissory note, indenture or other agreement or instrument evidencing or governing the terms of any Indebtedness or other financial accommodation that has been incurred to increase, extend (subject to the limitations set forth herein and in the Intercreditor Agreement), replace or refinance in whole or in part the Indebtedness and other obligations outstanding under (x) the credit agreement referred to in clause (i) or (y) any subsequent credit agreement, unless such agreement or instrument expressly provides that it is not intended to be and is not a Term Loan Facility hereunder, in any case, in accordance with the Intercreditor Agreement. Any reference to the Term Loan Facility hereunder shall be deemed a reference to any Term Loan Facility then in existence.

"***Term Loan Lenders***" has the meaning assigned to the term "Term Loan Lenders" in the Intercreditor Agreement.

"***Term Loan Obligations***" shall mean the "Obligations" as such term is defined in the Term Loan Facility or any equivalent term used to describe the obligations arising thereunder and in connection therewith.

"***Term Loan Priority Collateral***" has the meaning assigned to such term in the Intercreditor Agreement.

"***Term Loan Side Letter Agreement***" means the letter agreement, together with the amendment thereto attached as Exhibit A to that certain First Amendment to Loan and Security Agreement, dated as of October 15, 2019, among Agent and the Loan Party Obligors.

"***Termination Date***" means the date on which all of the Obligations have been paid in full in cash and all of Agent and Lenders' lending commitments under this Agreement and under each of the other Loan Documents have been terminated.

"***UCC***" means, at any given time, the Uniform Commercial Code as adopted and in effect at such time in the State of New York or other applicable jurisdiction.

"***Ultimate Parent***" means Hydrofarm Holdings Group, Inc., a Delaware corporation.

"***U.S. Account***" means any account invoiced and payable in Dollars.

"***U.S. Obligor(s)***" means any Borrower or Loan Party Obligor organized under the laws of United States of America or any state thereof.

**1.2. Accounting Terms and Determinations.**

Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder (including determinations made pursuant to the exhibits hereto) shall be made, and all financial statements required to be delivered hereunder shall be prepared on a consolidated basis in accordance with GAAP consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or financial requirement set forth in any Loan Document, and either Borrower Representative or Agent shall so request, Required Lenders and Borrower Representative shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; ***provided*** that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Borrower Representative shall provide to Agent and Lenders financial statements and other documents required under this Agreement and the other Loan Documents which include a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (Codification of Accounting Standards 825-10) to value any Indebtedness or other liabilities of any Loan Party at "***fair value***", as defined therein.

Notwithstanding anything to the contrary contained in the paragraph above or the definitions of Capital Expenditures or Capitalized Leases, in the event of a change in GAAP after the Closing Date requiring all leases to be capitalized, only those leases (assuming for purposes of this paragraph that they were in existence on the Closing Date) that would constitute Capitalized Leases on the Closing Date shall be considered Capitalized Leases (and all other such leases shall constitute operating leases) and all calculations and deliverables under this Agreement or the other Loan Documents shall be made in accordance therewith (other than the financial statements delivered pursuant to this Agreement; ***provided*** that all such financial statements delivered to Agent and Lenders in accordance with the terms of this Agreement after the date of such change in GAAP shall contain a schedule showing the adjustments necessary to reconcile such financial statements with GAAP as in effect immediately prior to such change).

**1.3. Other Definitional Provisions and References.**

References in this Agreement to "***Articles***", "***Sections***", "***Annexes***", "***Exhibits***" or "***Schedules***" shall be to Articles, Sections, Annexes, Exhibits or Schedules of or to this Agreement unless otherwise specifically provided. Any term defined herein may be used in the singular or plural. "***Include***", "***includes***" and "***including***" shall be deemed to be followed by "***without limitation***". "***Or***" shall be construed to mean "***and/or***". Except as otherwise specified or limited herein, references to any Person include the successors and assigns of such Person. References "***from***" or "***through***" any date mean, unless otherwise specified, "***from and including***" or "***through and including***", respectively. No provision of any Loan Documents shall be construed against any party by reason of such party having, or being deemed to have, drafted the provision. Unless otherwise specified herein, the settlement of all payments and fundings hereunder between or among the parties hereto shall be made in lawful money of the United States and in immediately available funds. Time is of the essence for each performance obligation of the Loan Parties under this Agreement and each Loan Document. All amounts used for purposes of financial calculations required to be made herein shall be without duplication. References to any statute or act shall include all related current regulations and all amendments and any successor statutes, acts and regulations. References to any agreement, instrument or document (a) shall include all schedules, exhibits, annexes and other attachments thereto and (b) shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein or in any other Loan Document). The words "***asset***" and "***property***" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Unless otherwise specified herein Dollar ($) baskets set forth in the representations and warranty, covenants and event of default provisions of this Agreement (and other similar baskets) are calculated as of each date of measurement by the Dollar Equivalent Amount thereof as of such date of measurement. Reference to a Loan Party's "knowledge" or similar concept means actual knowledge of a senior officer, or knowledge that a senior officer would have obtained if he or she had engaged in good faith and diligent performance of his or her duties, including reasonably specific inquiries of employees or agents and a good faith attempt to ascertain the matter.

**2. LOANS.**

**2.1. Amount of Loans.**

(a) **Revolving Loans**. Subject to the terms and conditions of this Agreement, each Lender with a Revolving Loan Commitment will severally (and not jointly), from time to time prior to the Maturity Date, at Borrower Representative's request, make revolving loans to Borrowers ("***Revolving Loans***"); ***provided***, that after giving effect to each such Revolving Loan, (A) the outstanding balance of all Revolving Loans plus fees and expenses which are due and payable by Borrower under this Agreement but which have not been paid or charged to the Loan Account will not exceed the lesser of (x) the Maximum Revolving Facility Amount minus the amount of Reserves established against the Maximum Revolving Facility Amount and (y) the Borrowing Base, (B) the aggregate outstanding principal balance of all Revolving Loans to the Canadian Borrowers shall not be in excess of the Canadian Loan Limit, (C) the sum of each Lender's outstanding balance of Revolving Loans will not exceed such Lender's Revolving Loan Commitment and (d) none of the other Loan Limits for Revolving Loans will be exceeded. All Revolving Loans shall be made in and repayable in Dollars.

(b) **Reserves**. Agent may, with or without notice to Borrower Representative, from time to time establish and revise reserves against the Borrowing Base and the Maximum Revolving Facility Amount in such amounts and of such types as Agent deems appropriate in its Permitted Discretion ("***Reserves***") to reflect (i) events, conditions, contingencies or risks which affect or may affect (A) the ABL Priority Collateral or its value, or the enforceability, perfection or priority of the security interests and other rights of Agent in the ABL Priority Collateral or (B) the assets, business or prospects of any Borrower or any Loan Party Obligor (including the Dilution Reserve), (ii) Agent's good faith concern that any Collateral report or financial information furnished by or on behalf of any Borrower or any Loan Party Obligor to Agent is or may have been incomplete, inaccurate or misleading in any material respect, (iii) any fact or circumstance which Agent determines in good faith constitutes, or could constitute, a Default or Event of Default, or (iv) past due Taxes, or (v) any other events or circumstances which Agent determines in good faith make the establishment or revision of a Reserve prudent. In no event shall the establishment of a Reserve in respect of a particular actual or contingent liability obligate Agent to make advances to pay such liability or otherwise obligate Agent with respect thereto.

(c) **Reserved.**

**2.2. Protective Advances; Overadvances.**

(a) Notwithstanding any contrary provision of this Agreement or any other Loan Document, at any time (i) after the occurrence and during the continuance of a Default or Event of Default or (ii) that any of the other applicable conditions precedent set forth in Section 4 or otherwise are not satisfied, Agent is authorized by each Borrower and each Lender, from time to time, in Agent's sole discretion, to make such Revolving Loans to, or for the benefit of, any Borrower, as Agent in its sole discretion deems necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, or (2) to enhance the likelihood of repayment of the Obligations (the Revolving Loans described in this Section 2.2 shall be referred to as "***Protective Advances***"). Notwithstanding any contrary provision of this Agreement or any other Loan Document, Agent may disburse the proceeds of any Protective Advance to any Borrower or to such other Person(s) as Agent determines in its sole discretion. All Protective Advances shall be payable immediately upon demand. Notwithstanding the foregoing, (i) the aggregate amount of all Protective Advances outstanding at any time shall not exceed an amount equal to ten percent (10%) of the Maximum Revolving Facility Amount and (ii) after giving effect to any such Protective Advances, the outstanding balance of all Revolving Loans will not exceed the Maximum Revolving Facility Amount.

(b) Notwithstanding any contrary provision of this this Agreement, at the request of Borrower Representative, Agent may in its sole discretion (but with absolutely no obligation), make Revolving Loans to any Borrower, on behalf of the Lenders with a Revolving Loan Commitment, in amounts that exceed Excess Availability (any such excess Revolving Loans are herein referred to herein, collectively, as "***Overadvances***"); ***provided***, that, no Overadvance shall result in a Default due to any Borrower's failure to comply with Section 2.1(a) for so long as such Overadvance remains outstanding in accordance with the terms of this paragraph, but solely with respect to the amount of such Overadvance. Overadvances may be made even if the conditions precedent set forth in Section 4.2 have not been satisfied. The authority of Agent to make Overadvances is limited to an aggregate amount not to exceed an amount equal to ten percent (10%) of the Maximum Revolving FacilityAmount at any time. No Overadvance may remain outstanding for more than thirty (30) days and no Overadvance shall cause any Lender's outstanding balance of Revolving Loans to exceed its Revolving Commitment. Required Lenders may, at any time, revoke Agent's authorization to make Overadvances, ***provided*** that any such revocation must be in writing and shall become effective prospectively upon Agent's receipt thereof.

(c) Upon the making of any Protective Advance or Overadvance (whether before or after the occurrence of a Default), each Lender with a Revolving Loan Commitment shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from Agent, without recourse or warranty, an undivided interest and participation in such Protective Advance or Overadvance, as applicable, in proportion to its Pro Rata Share of the Revolving Loan Commitment. Agent may, at any time, require the applicable Lenders to fund their participations. From and after the date, if any, on which any Lender is required to fund its participation in any Protective Advance or Overadvance, as applicable, purchased hereunder, Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by such Agent in respect of such Loan. Each Lender acknowledges and agrees that (i) Agent may elect to fund a Protective Advance or Overadvance through one or more of its Affiliates (including Encina Business Credit SPV, LLC) on behalf of Agent for administrative convenience and (ii) any such funding shall constitute a Protective Advance or Overadvance, as applicable, as if made by Agent subject to the terms and conditions of this Agreement.

**2.3. Notice of Borrowing; Manner of Revolving Loan Borrowing.**

(a) Borrower Representative shall request each Revolving Loan by submitting such request by ABLSoft (or, if requested by Agent, by delivering, in writing or by an Approved Electronic Communication, a Notice of Borrowing substantially in the form of Exhibit A hereto) (each such request a "***Notice of Borrowing***"). Subject to the terms and conditions of this Agreement, Agent shall, except as provided in Section 2.2, deliver the amount of the Revolving Loan requested in the Notice of Borrowing for credit to any account of Borrower as Borrower Representative may specify at a bank acceptable to Agent (***provided***, that such account must be one identified on Section 3 of the Perfection Certificate and approved by Agent as an account to be used for funding of Loan proceeds) (any such account, a "***Funding Account***") by wire transfer of immediately available funds (i) on the same day if the Notice of Borrowing is received by Agent on or before 11:00 a.m. Central Time on a Business Day or (ii) on the immediately following Business Day if the Notice of Borrowing is received by Agent after 11:00 a.m. Central Time on a Business Day or on a day that is not a Business Day. Agent shall charge to the Revolving Loan Agent's usual and customary fees for the wire transfer of each Loan.

(b) Promptly following receipt of a Notice of Borrowing in accordance with this Section, Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested borrowing. Each Lender shall make each Revolving Loan to be made by such Lender hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., Central Time, to the account of Agent most recently designated by it for such purpose by notice to the Lenders in an amount equal to such Lender's Pro Rata Share. Unless Agent shall have received notice from a Lender prior to the proposed date of any borrowing that such Lender will not make available to Agent such Lender's share of such borrowing, Agent may assume that such Lender has made (or will make) such share available on such date in accordance with this Section and may, in reliance upon such assumption, make available to Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable borrowing available to Agent, then the applicable Lender and Borrowers severally agree to pay to Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to Borrowers to but excluding the date of payment to Agent, at the interest rate applicable to such Revolving Loans. If such Lender pays such amount to Agent, then such amount shall constitute such Lender's Revolving Loan included in such borrowing.

**2.4. Swingline Loans.**

(a) Agent, Swingline Lender and the Lenders agree that in order to facilitate the administration of this Agreement and the other Loan Documents, promptly after Borrower Representative requests a Revolving Loan, the Swingline Lender may elect to have the terms of this Section 2.4 apply to such borrowing request by advancing, on behalf of the Lenders with a Revolving Loan Commitment and in the amount requested, same day funds to Borrowers (each such Loan made solely by the Swingline Lender pursuant to this Section 2.4 is referred to in this Agreement as a "***Swingline Loan***"), with settlement among them as to the Swingline Loans to take place on a periodic basis as set forth in Section 2.4(c). Each Borrower hereby authorizes the Swingline Lender to, and Swingline Lender shall, subject to the terms and conditions set forth herein (but without any further written notice required), deliver the amount of the Swingline Loan requested to the applicable Funding Account (i) on the same day if the Notice of Borrowing is received by Agent on or before 11:00 a.m. Central Time on a Business Day or (ii) on the immediately following Business Day if the Notice of Borrowing is received by Agent after 11:00 p.m. Central Time on a Business Day or on a day that is not a Business Day. The aggregate amount of Swingline Loans outstanding at any time shall not exceed $2,000,000. Swingline Lender shall not make any Swingline Loan if the requested Swingline Loan exceeds Excess Availability (before giving effect to such Swingline Loan).

(b) Upon the making of a Swingline Loan (whether before or after the occurrence of a Default and regardless of whether a Settlement has been requested with respect to such Swingline Loan), each Lender with a Revolving Commitment shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Swingline Lender, without recourse or warranty, an undivided interest and participation in such Swingline Loan in proportion to its Pro Rata Share of the Revolving Commitment. The Swingline Lender may, at any time, require the applicable Lenders to fund their participations. From and after the date, if any, on which any Lender is required to fund its participation in any Swingline Loan purchased hereunder, Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by such Agent in respect of such Loan.

(c) Agent, on behalf of Swingline Lender, shall request settlement (a "***Settlement***") with respect to Swingline Loans with the Lenders holding a Revolving Commitment on at least a weekly basis or on any date that Agent elects, by notifying the applicable Lenders of such requested Settlement by facsimile, telephone, or e-mail no later than 12:00 p.m. Central Time on the date of such requested Settlement (the "***Settlement Date***"). Each applicable Lender (other than the Swingline Lender) shall transfer the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Swingline Loan with respect to which Settlement is requested to Agent, to such account of Agent as Agent may designate, not later than 2:00 p.m., Central Time, on such Settlement Date. Settlements may occur during the existence of an event of Default and whether or not the applicable conditions precedent set forth in Section 4.2 have then been satisfied. Such amounts transferred to Agent shall be applied against the amounts of the Swingline Lender's Swingline Loans and, together with such Swingline Lender's Pro Rata Share of such Swingline Loan, shall constitute Revolving Loans of such Lenders, respectively. If any such amount is not transferred to Agent by any applicable Lender on such Settlement Date, the Swingline Lender shall be entitled to recover such amount on demand from such Lender together with interest thereon.

**2.5. Repayments.**

(a) **Revolving Loans**. If at any time for any reason whatsoever (including as a result of currency fluctuations) (i) the outstanding balance of all Revolving Loans exceeds the lesser of (x) the Maximum Revolving Facility Amount minus the amount of Reserves established against the Maximum Revolving Facility Amount and (y) the Borrowing Base or (ii) any of the Loan Limits for Revolving Loans are exceeded, then, in each case, Borrowers will immediately pay to Agent such amounts as shall cause Borrowers to eliminate such excess.

(b) **Reserved.**

(c) **Maturity Date Payments**. All remaining outstanding monetary Obligations (including, all accrued and unpaid fees described in Section 3.2) shall be payable in full on the Maturity Date.

**2.6. Prepayments / Voluntary Termination / Application of Prepayments.**

(a) **Reserved.**

(b) **Reserved.**

(c) **Reserved.**

(d) **Voluntary Termination of Loan Facilities**. Borrower Representative may, on at least thirty days prior written notice received by Agent, permanently terminate the Loan facilities by repaying all of the outstanding Obligations, including all principal, interest and fees with respect to the Revolving Loans, and an Early Payment/Termination Premium in the amount specified in Section 3.2(e). From and after such date of termination, Agent shall have no obligation whatsoever to extend any additional Loans, and all of its lending commitments hereunder shall be terminated.

(e) **Reserved.**

**2.7. Obligations Unconditional.**

(a) The payment and performance of all Obligations shall constitute the absolute and unconditional obligations of each Loan Party Obligor, and shall be independent of any defense or right of set-off, recoupment or counterclaim that any Loan Party Obligor or any other Person might otherwise have against Agent, any Lender or any other Person. All payments required by this Agreement or the other Loan Documents shall be made in Dollars (unless payment in a different currency is expressly provided otherwise in the applicable Loan Document) and paid free of any deductions or withholdings for any taxes or other amounts and without abatement, diminution or set-off. If any Loan Party Obligor is required by applicable law to make such a deduction or withholding from a payment under this Agreement or under any other Loan Document, such Loan Party Obligor shall pay to Agent such additional amount as shall be necessary to ensure that, after the making of such deduction or withholding, Agent receives (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made. Each Loan Party Obligor shall (a) pay the full amount of any deduction or withholding that it is required to make by law, to the relevant authority within the payment period set by applicable law and (b) promptly after any such payment, deliver to Agent an original (or certified copy) official receipt issued by the relevant authority in respect of the amount withheld or deducted or, if the relevant authority does not issue such official receipts, such other evidence of payment of the amount withheld or deducted as is reasonably acceptable to Agent.

(b) If, at any time and from time to time after the Closing Date (or at any time before or after the Closing Date with respect to the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith), (a) any change in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (b) any new law, regulation, treaty or directive enacted or application thereof or (c) compliance by Agent with any request or directive (whether or not having the force of law) from any Governmental Authority, central bank or comparable agency (i) subjects Agent or any Lender to any tax, levy, impost, deduction, assessment, charge or withholding of any kind whatsoever with respect to any Loan Document, or changes the basis of taxation of payments to Agent or any Lender of any amount payable thereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state, provincial, local or other taxing authorities with respect to interest or fees payable hereunder or under any other Loan Document or changes in the rate of tax on the overall net income of Agent, any Lender or their respective members) or (ii) imposes, modifies or deems applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBOR Rate), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Agent or any Lender or imposes on Agent or any Lender any other condition affecting its LIBOR Loans or its obligation to make LIBOR Loans, the result of which is to increase the cost to (or to impose a cost on) Agent or any Lender of making or maintaining any LIBOR Loan or (iii) imposes on Agent or any Lender any other condition or increased cost in connection with the transactions contemplated thereby or participations therein, and the result of any of the foregoing is to increase the cost to Agent or any Lender of making or continuing any Loan or to reduce any amount receivable hereunder or under any other Loan Documents, then, in each such case, Borrowers shall promptly pay to Agent or such Lender, when notified to do so by Agent or such Lender, any additional amounts necessary to compensate Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount as determined by Agent or such Lender. Each such notice of additional amounts payable pursuant to this Section 2.7(b) submitted by Agent or any Lender, as applicable, to Borrower Representative shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) This Section 2.7 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**2.8. Reversal of Payments**. To the extent that any payment or payments made to or received by Agent or any Lender pursuant to this Agreement or any other Loan Document are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any trustee, receiver or other Person under any state, federal or other bankruptcy or other such applicable law, then, to the extent thereof, such amounts (and all Liens, rights and remedies relating thereto) shall be revived as Obligations (secured by all such Liens) and continue in full force and effect under this Agreement and under the other Loan Documents as if such payment or payments had not been received by Agent or such Lender. This Section 2.8 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**2.9. Notes**. The Loans and Commitments shall, at the request of any Lender, be evidenced by one or more promissory notes in form and substance reasonably satisfactory to such Lender. However, if such Loans are not so evidenced, such Loans may be evidenced solely by entries upon the books and records maintained by Agent.

**2.10. Defaulting Lender**s. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Unused Line Fees pursuant to Section 3.2(c) shall cease to accrue on the unfunded portion of the Revolving Commitment of such Defaulting Lender.

(b) Any amount payable to a Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise) shall, in lieu of being distributed to such Defaulting Lender, be retained by Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to Agent hereunder, (ii) second, to the funding of any Revolving Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by Agent, (iii) third, if so determined by Agent and Borrowers, held in such account as cash collateral for future funding obligations of the Defaulting Lender under this Agreement, (iv) fourth, pro rata, to the payment of any amounts owing to Borrowers or the Lenders as a result of any judgment of a court of competent jurisdiction obtained by Borrowers or any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and (v) fifth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; ***provided***, that if such payment is made at a time when the conditions set forth in Section 4.2 are satisfied, such payment shall be applied solely to prepay the Loans of all Revolving Lenders that are not Defaulting Lenders pro rata prior to being applied to the prepayment of any Loans, or reimbursement obligations owed to, any Defaulting Lender.

(c) No Defaulting Lender shall have any right to approve or disapprove any amendment, waiver, consent or any other action the Lenders or the Required Lenders have taken or may take hereunder, provided that any waiver, amendment or modification requiring the consent of all Lenders or each directly affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender.

**2.11. Appointment of Borrower Representative.**

(a) Each Borrower hereby irrevocably appoints and constitutes Borrower Representative as its agent and attorney-in-fact to request and receive Loans in the name or on behalf of such Borrower and any other Borrowers, deliver Notices of Borrowing, and Borrowing Base Certificates, give instructions with respect to the disbursement of the proceeds of the Loans, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) in the name or on behalf of any Borrower or Borrowers pursuant to this Agreement and the other Loan Documents. Lender may disburse the Loans to such bank account of Borrower Representative or a Borrower or otherwise make such Loans to a Borrower, in each case as Borrower Representative may designate or direct, without notice to any other Borrower. Notwithstanding anything to the contrary contained herein, Lender may at any time and from time to time require that Loans to or for the account of any Borrower be disbursed directly to an operating account of such Borrower.

(b) Borrower Representative hereby accepts the appointment by Borrowers to act as the agent and attorney-in-fact of Borrowers pursuant to this Section 2.9. Borrower Representative shall ensure that the disbursement of any Loans that are at any time requested by or to be remitted to or for the account of a Borrower requested on behalf of a Borrower hereunder, shall be remitted or issued to or for the account of such Borrower.

(c) Each Borrower hereby irrevocably appoints and constitutes Borrower Representative as its agent to receive statements on account and all other notices from Lender with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents.

(d) Any notice, election, representation, warranty, agreement or undertaking made or delivered by or on behalf of any Borrower by Borrower Representative shall be deemed for all purposes to have been made or delivered by such Borrower, as the case may be, and shall be binding upon and enforceable against such Borrower to the same extent as if made or delivered directly by such Borrower.

(e) No resignation by or termination of the appointment of Borrower Representative as agent and attorney-in-fact as aforesaid shall be effective, except after ten (10) Business Days' prior written notice to Lender. If the Borrower Representative resigns under this Agreement, Borrowers shall be entitled to appoint a successor Borrower Representative (which shall be a Borrower and shall be reasonably acceptable to Lender as such successor). Upon the acceptance of its appointment as successor Borrower Representative hereunder, such successor Borrower Representative shall succeed to all the rights, powers and duties of the retiring Borrower Representative and the term "Borrower Representative" shall mean such successor Borrower Representative for all purposes of this Agreement and the other Loan Documents, and the retiring or terminated Borrower Representative's appointment, powers and duties as Borrower Representative shall be thereupon terminated.

**2.12. Joint and Several Liability**

(b) Joint and Several. Each Borrower hereby agrees that such Borrower is jointly and severally liable for the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Agent and Lenders by each other Borrower. Each Borrower agrees that its obligation hereunder shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this Section 2.12 shall be absolute and unconditional, irrespective of, and unaffected by,

(i) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party;

(ii) the absence of any action to enforce this Agreement (including this Section 2.12) or any other Loan Document or the waiver or consent by Agent or any Lender with respect to any of the provisions thereof;

(iii) the existence, value or condition of, or failure to perfect Agent's Lien against, any security for the Obligations or any action, or the absence of any action, by Agent in respect thereof (including the release of any such security);

(iv) the insolvency of any Loan Party or Other Obligor; or

(v) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

(c) Waivers by Borrowers. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Agent to marshal assets or to proceed in respect of the Obligations against any other Loan Party or Other Obligor, any other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this Section 2.12 and such waivers, Agent and Lenders would decline to enter into this Agreement.

(d) Benefit of Joint and Several Obligations. Each Borrower agrees that the provisions of this Section 2.12 are for the benefit of Agent and Lenders and their successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower, Agent and any Lender, the obligations of such other Borrower under the Loan Documents.

(e) Subordination of Subrogation, Etc. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, each Borrower hereby expressly and irrevocably subordinates to payment of the Obligations any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor with respect to any other Loan Party or any Other Obligor until the Obligations are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination is intended to benefit Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this Section 2.12, and that Agent and Lenders and their successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 2.12(d).

(f) Election of Remedies. If Agent may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving Agent a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Agent may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 2.12. If, in the exercise of any of its rights and remedies, Agent shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Agent and waives any claim based upon such action, even if such action by Agent shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Agent.

(g) Contribution with Respect to Guaranty Obligations.

(i) To the extent that any Borrower shall make a payment under this Section 2.12 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "***Guarantor Payment***") that, taking into account all other Guarantor Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Guarantor Payment in the same proportion that such Borrower's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(ii) As of any date of determination, the "***Allocable Amount***" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this Section 2.12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(iii) This Section 2.12(f) is intended only to define the relative rights of Borrowers and nothing set forth in this Section 2.12(f) is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 2.12(a). Nothing contained in this Section 2.12(f) shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(iv) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of each Borrower to which such contribution and indemnification is owing.

(v) The rights of the indemnifying Borrowers against other Loan Parties under this Section 2.12(f) shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of the Commitments.

(h) Liability Cumulative. The liability of Borrowers under this Section 2.12 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

**3. INTEREST AND FEES; LOAN ACCOUNT.**

**3.1. Interest**. All Loans and other monetary Obligations shall bear interest at the interest rate(s) set forth in Section 3 of Annex I, and accrued interest shall be payable (a) on the first day of each month in arrears, (b) upon a prepayment of Loan in accordance with Section 2.6 and (c) on the Maturity Date; ***provided***, that after the occurrence and during the continuation of an Event of Default and upon written demand by Agent (excluding an Event of Default under Section 11.1(g) or (h)), all Loans and other monetary Obligations shall bear interest at a rate per annum equal to two (2) percentage points (2.00%) in excess of the rate otherwise applicable thereto (the "***Default Rate***"), and all such interest shall be payable on demand. Changes in the interest rate shall be effective as of the first day of each month based on the LIBOR Rate or Base Rate, as applicable, in effect on such date. Subject to Section 3.6 and so long as no Event of Default shall have occurred and be continuing, all Loans shall constitute LIBOR Loans. Upon the occurrence and during the continuance of an Event of Default, at the election of Agent or Required Lenders, all Loans shall constitute Base Rate Loans.

**3.2.** **Fees**. Borrowers shall pay Agent the following fees on the dates provided therefor, which fees are in addition to all fees and other sums payable by Borrowers or any other Person to Agent under this Agreement or under any other Loan Document and, in each case, are not refundable once paid:

(a) **Closing Fee**. A fee, for the ratable benefit of the Lenders, equal to $**495,000** (the "***Closing Fee***"), which shall be deemed to be fully earned and payable as of the Closing Date.

(b) **Monthly Administration Fee**. A monthly fee, for the sole benefit of Agent, equal to $3,000 (the "***Monthly Administration Fee***") for each month, or part thereof prior to the Termination Date. The Monthly Administration Fee shall payable monthly in advance due and on the first day of each month following the Closing Date.

(c) **Unused Line Fee**. An unused line fee (the "***Unused Line Fee***"), for the ratable benefit of the Lenders, equal to one half of one percent (0.50%) per annum of the amount by which (i) the Maximum Revolving Facility Amount, calculated without giving effect to any Reserves or the Availability Block applied to the Maximum Revolving Facility Amount, exceeds (ii) the average daily outstanding principal balance of the Revolving Loans during the immediately preceding month (or part thereof), which fee shall be deemed to be fully earned and payable, in arrears, on the first day of each month until the Termination Date.

(d) **Reserved**.

(e) **Early Payment/Termination Premium**. In the event that, for any reason (including as a result of any voluntary or mandatory prepayment of the Loans, any acceleration of the Loans resulting from an Event of Default, any foreclosure and sale of Collateral, or any sale of Collateral in any bankruptcy or insolvency proceeding), all or any portion of the Lenders' commitment to make Revolving Loans is terminated prior to the Scheduled Maturity Date, in each case pursuant to Section 2.6(d), Section 11.2 or otherwise, then in each such case, in addition to the payment of the principal amount and all unpaid accrued interest and other amounts due thereon, Borrowers immediately shall be required to pay to Agent, for the ratable benefit of the Lenders, a premium (each, an "***Early Payment/Termination Premium***") (as liquidated damages and compensation for the cost of the Lenders being prepared to make funds available under this Agreement with respect to such Loans during the scheduled term of this Agreement) in an amount equal to the Applicable Percentage (as defined below) of the amount of any such Revolving Loan commitment termination, as applicable. In each such case, the "***Applicable Percentage***" shall be (A) two percent (2.0%), if such event occurs on or before the first anniversary of the Closing Date, or (B) one percent (1.0%) if such event occurs after the first anniversary of the Closing Date, but on or before the second anniversary of the Closing Date, or (C) zero percent (0.0%) if after the second anniversary of the Closing Date. Each Borrower acknowledges and agrees that (x) the provisions of this paragraph shall remain in full force and effect notwithstanding any rescission by Agent of an acceleration with respect to all or any portion of the Obligations pursuant to Section 11.2 or otherwise, (y) payment of any Early Payment/Termination Premium under this paragraph constitutes liquidated damages and not a penalty and (z) the actual amount of damages to Lenders or profits lost by Lenders as a result of such early payment or termination would be impracticable and extremely difficult to ascertain, and the Early Payment/Termination Premium under this paragraph is provided by mutual agreement of Borrowers and Lenders as a reasonable estimation and calculation of such lost profits or damages of Borrowers and Lenders.

**3.3. Computation of Interest and Fees.**

(a) All interest and fees shall be calculated daily on the outstanding monetary Obligations based on the actual number of days elapsed in a year of 360 days.

(b) For the purposes of the Interest Act (Canada), as amended, and disclosure under such act, whenever interest to be paid under this Agreement is to be calculated on the basis of a year of 365 or 366 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 365 or 366 or such other period of time, as the case may be.

**3.4. Loan Account; Monthly Accountings**. Agent shall maintain a loan account for Borrowers reflecting all outstanding Loans, along with interest accrued thereon and such other items reflected therein (the "***Loan Account***"), and shall provide Borrower Representative with a monthly accounting reflecting the activity in the Loan Account, viewable by Borrowers on ABLSoft. Each accounting shall be deemed correct, accurate and binding on Borrowers and an account stated (except for reverses and reapplications of payments made and corrections of errors discovered by Agent), unless Borrower Representative notifies Agent in writing to the contrary within thirty days after such account is rendered, describing the nature of any alleged errors or omissions. However, Agent's failure to maintain the Loan Account or to provide any such accounting shall not affect the legality or binding nature of any of the Obligations. Interest, fees and other monetary Obligations due and owing under this Agreement may, in Agent's discretion, be charged to the Loan Account, and will thereafter be deemed to be Revolving Loans and will bear interest at the same rate as other Revolving Loans.

**3.5. Further Obligations; Maximum Lawful Rate**. With respect to all monetary Obligations for which the interest rate is not otherwise specified herein (whether such Obligations arise hereunder or under any other Loan Document, or otherwise), such Obligations shall bear interest at the rate(s) in effect from time to time with respect to the Revolving Loans and shall be payable upon demand by Agent. In no event shall the interest charged with respect to any Loan or any other Obligation exceed the maximum amount permitted under applicable law. Notwithstanding anything to the contrary herein or elsewhere, if at any time the rate of interest payable or other amounts hereunder or under any other Loan Document (the "***Stated Rate***") would exceed the highest rate of interest or other amount permitted under any applicable law to be charged (the "***Maximum Lawful Rate***"), then for so long as the Maximum Lawful Rate would be so exceeded, the rate of interest and other amounts payable shall be equal to the Maximum Lawful Rate; ***provided***, that if at any time thereafter the Stated Rate is less than the Maximum Lawful Rate, Borrowers shall, to the extent permitted by applicable law, continue to pay interest and such other amounts at the Maximum Lawful Rate until such time as the total interest and other such amounts received is equal to the total interest and other such amounts which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable or such other amounts payable. Thereafter, the interest rate and such other amounts payable shall be the Stated Rate unless and until the Stated Rate again would exceed the Maximum Lawful Rate, in which event this provision shall again apply. In no event shall the total interest or other such amounts received by Agent exceed the amount which it could lawfully have received had the interest and other such amounts been calculated for the full term hereof at the Maximum Lawful Rate. If, notwithstanding the prior sentence, Agent has received interest or other such amounts hereunder in excess of the Maximum Lawful Rate, such excess amount shall be applied to the reduction of the principal balance of the Loans or to other Obligations (other than interest) payable hereunder, and if no such principal or other Obligations are then outstanding, such excess or part thereof remaining shall be paid to Borrowers. In computing interest payable with reference to the Maximum Lawful Rate applicable to any Lender, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made.

**3.6. Certain Provisions Regarding LIBOR Loans; Replacement of Lenders.**

(a) **Inadequate or Unfair Basis**. If Agent or any Lender reasonably determines (which determination shall be binding and conclusive on Borrowers) that, by reason of circumstances affecting the interbank Eurodollar market, adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate, then Agent or such Lender shall promptly notify Borrower Representative (and Agent, if applicable) thereof and, so long as such circumstances shall continue, (i) Agent and/or such Lender shall be under no obligation to make any LIBOR Loans and (ii) on the last day of the current calendar month, each LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

(b) **Change in Law**. If any change in, or the adoption of any new, law, treaty or regulation, or any change in the interpretation of any applicable law or regulation by any Governmental Authority charged with the administration thereof, would make it (or in the good faith judgment of Agent or the applicable Lender cause a substantial question as to whether it is) unlawful for Agent or such Lender to make, maintain or fund LIBOR Loans, then Agent or such Lender shall promptly notify Borrower Representative and, so long as such circumstances shall continue, (i) Agent or such Lender shall have no obligation to make any LIBOR Loan and (ii) on the last day of the current calendar month for each LIBOR Loan (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

(c) If any Borrower becomes obligated to pay additional amounts to any Lender pursuant to Section 2.7(b), or any Lender gives notice of the occurrence of any circumstances described in Section 2.7(b), or if Lender becomes a Defaulting Lender, Borrowers may designate another Person engaged in the making of commercial loans in the ordinary course of business which is acceptable to Agent in its sole discretion (such other Person being called a "***Replacement Lender***") to purchase the Loans and Commitments of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and, upon such purchase and assumption (pursuant to an Assignment and Assumption), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to Borrowers hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

(d) **LIBOR Discontinuation**. Notwithstanding anything contained herein to the contrary, if Agent reasonably determines after the Closing Date that the LIBOR Rate has been discontinued or is no longer available as a benchmark interest rate, Agent shall select a comparable successor rate in its reasonable discretion (in consultation with the Borrowers), which successor rate shall be applied in a manner consistent with market practice taking into account the benchmark interest rates applicable to funding sources for the Lenders, and will promptly so notify each Lender.

**4. CONDITIONS PRECEDENT.**

**4.1. Conditions to Initial Loans.**

Each Lender's obligation to fund the initial Loans under this Agreement is subject to the following conditions precedent (as well as any other conditions set forth in this Agreement or any other Loan Document), all of which must be satisfied in a manner acceptable to Agent (and as applicable, pursuant to documentation which in each case is in form and substance acceptable to Agent):

(a) each Loan Party Obligor shall have duly executed and/or delivered, or, as applicable, shall have caused such other applicable Persons to have duly executed and or delivered, to Agent such agreements, instruments, documents, proxies, financial statements, projections, lien searches, legal opinions, title insurances, assessments, appraisals, and certificates as Agent may require, including such other agreements, instruments, documents, proxies, financial statements, projections, lien searches, legal opinions, title insurance, assessments, appraisals, and certificates listed on the closing checklist attached hereto as Exhibit B;

(b) Agent shall have completed its business and legal due diligence pertaining to the Loan Parties and their respective businesses and assets, with results thereof satisfactory to Agent in its sole discretion;

(c) each Lender's obligations and commitments under this Agreement shall have been approved by such Lender's Credit Committee;

(d) after giving effect to such Loans, as well as to the payment of all trade payables older than sixty days past due and the consummation of all transactions contemplated hereby to occur on the Closing Date, closing costs and any book overdraft, Excess Availability shall be no less than $2,000,000;

(e) since December 31, 2018, no event shall have occurred which has had, or could reasonably be expected to have, a Material Adverse Effect on any Loan Party;

(f) Borrowers shall have paid to Agent all fees due on the date hereof, and shall have paid or reimbursed Agent for all of Agent's costs, charges and expenses incurred through the Closing Date (and in connection herewith, Borrowers hereby irrevocably authorizes Agent to charge such fees, costs, charges and expenses as Revolving Loans);

(g) the HHG Note shall have been funded; and

(h) Agent shall have received PDFs of the following that shall have been delivered to the Term Loan Agent: (i) original stock certificates or other certificates evidencing the Pledged Equity pledged pursuant to the Security Documents (as defined in the Term Loan Documents), together with an undated stock (or equivalent) power for each such certificate duly executed in blank by the registered owner thereof and (ii) each original promissory note pledged pursuant to the Security Documents (as defined in the Term Loan Documents), if any, together with an undated endorsement for each such promissory note duly executed in blank by the holder thereof.

**4.2. Conditions to all Loans**. No Lender shall be obligated to fund any Loans, unless the following conditions are satisfied:

(a) Borrower Representative shall have provided to Agent such information as Agent may require in order to determine the Borrowing Base (including the items set forth in Section 7.15(a), (b) and (c) (as applicable)), as of such borrowing or issue date, after giving effect to such Loans;

(b) each of the representations and warranties set forth in this Agreement and in the other Loan Documents shall be true and correct in all respects as of the date such Loan is made (or, to the extent any representations or warranties are expressly made solely as of an earlier date, such representations and warranties shall be true and correct as of such earlier date), both before and after giving effect thereto;

(c) no Default or Event of Default shall be in existence, both before and after giving effect thereto; and

(d) no event shall have occurred or circumstance shall exist that has or could reasonably be expected to have a Material Adverse Effect.

Each request (or deemed request) by Borrowers for funding of a Loan shall constitute a representation by each Borrower that the foregoing conditions are satisfied on the date of such request and on the date of such funding or issuance. As an additional condition to any funding, issuance or grant, Agent shall have received such other information, documents, instruments and agreements as it deems appropriate in connection therewith.

**5. COLLATERAL.**

**5.1. Grant of Security Interest**. To secure the full payment and performance of all of the Obligations, each Loan Party Obligor hereby assigns to Agent and grants to Agent, for itself and on behalf of the Lenders, a continuing security interest in all property of each Loan Party Obligor, whether tangible or intangible, real or personal, now or hereafter owned, existing, acquired or arising and wherever now or hereafter located, and whether or not eligible for lending purposes, including: (a) all Accounts (whether or not Eligible Accounts) and all Goods whose sale, lease or other disposition by any Loan Party Obligor has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, any Loan Party Obligor; (b) all Chattel Paper (including Electronic Chattel Paper), Instruments, Documents, and General Intangibles (including all patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guaranty claims, contracts rights, payment intangibles, security interests, security deposits and rights to indemnification); (c) all Inventory (whether or not Eligible Inventory); (d) all Goods (other than Inventory), including Equipment, vehicles, and Fixtures; (e) all Investment Property, including all rights, privileges, authority, and powers of each Loan Party Obligor as an owner or as a holder of Pledged Equity, including all economic rights, all control rights, authority and powers, and all status rights of each Loan Party Obligor as a member, equity holder or shareholder, as applicable, of each Issuer and any rights related to any Loan Party Obligors' capital account within the Issuer in respect of Investment Property; (f) all Deposit Accounts, bank accounts, deposits, money and cash; (g) all Letter-of-Credit Rights; (h) all Commercial Tort Claims listed in Section 2 of the Perfection Certificate; (i) all Supporting Obligations; (j) all life insurance policies; (k) all leases; (l) any other property of any Loan Party Obligor now or hereafter in the possession, custody or control of Agent or any agent or any parent, Affiliate or Subsidiary of Agent, any Lender or any Participant with Lender in the Loans, for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise); and (n) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including proceeds of all insurance policies insuring the foregoing property (including hazard, flood and credit insurance), and all of each Loan Party Obligor's books and records relating to any of the foregoing and to any Loan Party's business.

**5.2. Possessory Collateral**. Promptly, but in any event no later than five Business Days after any Loan Party Obligor's receipt of any portion of the Collateral evidenced by an agreement, Instrument or Document that is ABL Priority Collateral, including any Tangible Chattel Paper and any Investment Property consisting of certificated securities, such Loan Party Obligor shall deliver the original thereof to Agent together with an appropriate endorsement or other specific evidence of assignment thereof to Agent (in form and substance acceptable to Agent). If an endorsement or assignment of any such items shall not be made for any reason, Agent is hereby irrevocably authorized, as attorney and agent-in-fact (coupled with an interest) for each Loan Party Obligor, to endorse or assign the same on such Loan Party Obligor's behalf. To the extent that such Collateral is Term Loan Priority Collateral, the Loan Party Obligor shall deliver copies of the Collateral delivered to the Term Loan Agent.

**5.3. Further Assurances**. Each Loan Party Obligor shall, at its own cost and expense, promptly and duly take, execute, acknowledge and deliver (or cause each other applicable Person to take, execute, acknowledge and deliver) all such further acts, documents, agreements and instruments as may from time to time be necessary or desirable or as Agent may from time to time require in order to (a) carry out the intent and purposes of the Loan Documents and the transactions contemplated thereby, (b) establish, create, preserve, protect and perfect a first priority lien (subject only to Permitted Liens) in favor of Agent in all the ABL Priority Collateral (wherever located) from time to time owned by the Loan Party Obligors and a second priority lien (subject only to Permitted Liens) in favor of Agent in all capital stock and other equity from time to time issued by the Loan Parties (including appraisals of real property in compliance with FIRREA), (c) cause each Subsidiary of any Borrower to guaranty all of the Obligations, all pursuant to documentation that is in form and substance reasonably satisfactory to Agent and (d) facilitate the collection of the Collateral. Without limiting the foregoing, each Loan Party Obligor shall, at its own cost and expense, promptly and duly take, execute, acknowledge and deliver (or cause each other applicable Person to take, execute, acknowledge and deliver) to Agent all promissory notes, security agreements, agreements with landlords, mortgagees and processors and other bailees, subordination and intercreditor agreements and other agreements, instruments and documents, in each case in form and substance reasonably acceptable to Agent, as Agent may request from time to time to perfect, protect and maintain Agent's security interests in the Collateral, including the required priority thereof, and to fully carry out the transactions contemplated by the Loan Documents.

**5.4. UCC Financing Statements**. Each Loan Party Obligor authorizes Agent to file, transmit or communicate, as applicable, from time to time, Financing Statements under the UCC and/or PPSA, along with amendments and modifications thereto, in all filing offices selected by Agent, listing such Loan Party Obligor as the Debtor and Agent as the Secured Party, and describing the collateral covered thereby in such manner as Agent may elect, including using descriptions such as "all personal property of debtor" or "all assets of debtor," or words of similar effect, in each case without such Loan Party Obligor's signature. Each Loan Party Obligor also hereby ratifies its authorization for Agent to have filed, in any filing office, any Financing Statements filed prior to the date hereof.

**5.5. Excluded Property**. Notwithstanding anything in Section 5.1 or any other provision of this Agreement or any other Loan Document, the “Collateral” shall exclude any Excluded Property; provided, if and when any Property shall cease to be Excluded Property, such Property shall be deemed, at all times from and after such date and so long as such Property of the type set forth in clauses (a) through (n) of Section 5.1 does not at any time thereafter become an Excluded Property, to constitute Collateral. For the avoidance of doubt, Excluded Property shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

**6. CERTAIN PROVISIONS REGARDING ACCOUNTS, INVENTORY, COLLECTIONS AND APPLICATIONS OF PAYMENTS**. Until the Termination Date:

**6.1. Lock Boxes and Blocked Accounts**. Each Loan Party Obligor hereby represents and warrants that all Deposit Accounts and all other depositary and other accounts maintained by each Loan Party Obligor as of the Closing Date are described in Section 3 of the Perfection Certificate, which description includes for each such account the name of the Loan Party Obligor maintaining the account, the name of the financial institution at which the account is maintained, the account number and the purpose of the account. Within 45 days after the Closing Date, Section 3 of the Perfection Certificate shall be updated to reflect the new accounts and the existing accounts shall be closed. After the Closing Date, no Loan Party Obligor shall open any new Deposit Account or any other depositary or other account without the prior written consent of Agent and without updating Section 3 of the Perfection Certificate to reflect such Deposit Account or other account. No Deposit Account or other account of any Loan Party Obligor shall at any time constitute a Restricted Account other than accounts expressly indicated on Section 3 of the Perfection Certificate as being Restricted Accounts (and each Loan Party Obligor hereby represents and warrants that each such account shall at all times meet the requirements set forth in the definition of Restricted Account to qualify as a Restricted Account). Each Loan Party Obligor will, at its expense, establish (and revise from time to time as Agent may require) procedures acceptable to Agent, in Agent's sole discretion, for the collection of checks, wire transfers and all other proceeds of all of such Loan Party Obligor's Accounts and other Collateral ("Collections"), which shall include (a) directing all Account Debtors to send all Account proceeds directly to a post office box designated by Agent either in the name of such Loan Party Obligor (but as to which Agent has exclusive access) or, at Agent's option, in the name of Agent (a "***Lock Box***") and (b) depositing all Collections received by such Loan Party Obligor into one or more bank accounts maintained in the name of such Loan Party Obligor (but as to which Agent has exclusive access) or, at Agent's option, in the name of Agent (each, a "***Blocked Account***"), under an arrangement acceptable to Agent with a depository bank acceptable to Agent, pursuant to which all funds deposited into each Blocked Account are to be transferred to Agent in such manner, and with such frequency, as Agent shall specify, and/or (c) a combination of the foregoing. Each Loan Party Obligor agrees to execute, and to cause its depository banks and other account holders to execute, such Lock Box and Blocked Account control agreements and other documentation as Agent shall require from time to time in connection with the foregoing, all in form and substance acceptable to Agent, and in any event such arrangements and documents must be in place on the date hereof with respect to accounts in existence on the date hereof, or prior to any such account being opened with respect to any such account opened after the date hereof, in each case excluding Restricted Accounts. Prior to the Closing Date, Borrowers shall deliver to Agent a complete and executed Authorized Accounts form regarding each Borrower's operating account(s) into which the proceeds of Loans are to be paid in the form of Exhibit D annexed hereto.

**6.2. Application of Payments**. All amounts paid to or received by Agent in respect of monetary Obligations, from whatever source (whether from any Borrower or any other Loan Party Obligor pursuant to such other Loan Party Obligor's guaranty of the Obligations, any realization upon any Collateral or otherwise) shall be applied by Agent to the Obligations in such order as Agent may elect, and absent such election shall be applied as follows:

(i) **FIRST**, to reimburse Agent for all out-of-pocket costs and expenses, and all indemnified losses, incurred by Agent which are reimbursable to Agent in accordance with this Agreement or any of the other Loan Documents;

(ii) **SECOND**, to any accrued but unpaid interest on any Protective Advances;

(iii) **THIRD**, to the outstanding principal of any Protective Advances;

(iv) **FOURTH**, to any accrued but unpaid fees owing to Agent and Lenders under this Agreement and/or any other Loan Documents;

(v) **FIFTH**, to any unpaid accrued interest on the Obligations;

(vi) **SIXTH**, to the outstanding principal of the Loans; and

(vii) **SEVENTH**, to the payment of any other outstanding Obligations; and after payment in full in cash of all of the outstanding monetary Obligations, any further amounts paid to or received by Agent in respect of the Obligations (so long as no monetary Obligations are outstanding) shall be paid over to Borrowers or such other Person(s) as may be legally entitled thereto.

For purposes of determining the Borrowing Base, such amounts will be credited to the Loan Account and the Collateral balances to which they relate upon Agent's receipt of an advice from Agent's Bank (set forth in Section 5 of Annex I) that such items have been credited to Agent's account at Agent's Bank (or upon Agent's deposit thereof at Agent's Bank in the case of payments received by Agent in kind), in each case subject to final payment and collection. However, for purposes of computing interest on the Obligations, such items shall be deemed applied by Agent three Business Days after Agent 's receipt of advice of deposit thereof at Agent's Bank.

**6.3. Notification; Verification**. Agent or its designee may, from time to time: (a) whether or not a Default or Event of Default has occurred and is continuing, verify directly with the Account Debtors of the Loan Party Obligors (or by any manner and through any medium Agent considers advisable) the validity, amount and other matters relating to the Accounts and Chattel Paper of the Loan Party Obligors, by means of mail, telephone or otherwise, either in the name of the applicable Loan Party Obligor or Agent or such other name as Agent may choose (provided, however, that no Default or Event of Default has occurred or is continuing, Agent shall consult with Borrower Representative on the method of such verification); (b) whether or not a Default or Event of Default has occurred, notify Account Debtors of the Loan Party Obligors that Agent has a security interest in the Accounts of the Loan Party Obligors and direct such Account Debtors to make payment thereof directly to Agent; each such notification to be sent on the letterhead of such Loan Party Obligor and substantially in the form of Exhibit E annexed hereto; and (c) following the occurrence and during the continuance of a Default or Event of Default, demand, collect or enforce payment of any Accounts and Chattel Paper (but without any duty to do so) and, in furtherance of the foregoing, each Loan Party Obligor hereby authorizes Account Debtors to make payments directly to Agent and to rely on notice from Agent without further inquiry. Agent may on behalf of each Loan Party Obligor endorse all items of payment received by Agent that are payable to such Loan Party Obligor for the purposes described above.

**6.4. Power of Attorney**.

Without limiting any of Agent's and the other Lenders' other rights under this Agreement or any other Loan Document, each Loan Party Obligor hereby grants to Agent an irrevocable power of attorney, coupled with an interest, authorizing and permitting Agent (acting through any of its officers, employees, attorneys or agents), at Agent's option but without obligation, with or without notice to such Loan Party Obligor, and at each Loan Party Obligor's expense, to do any or all of the following, in such Loan Party Obligor's name or otherwise:

(a) at any time, whether or not an Event of Default has occurred or is continuing, (i) execute on behalf of such Loan Party Obligor any documents that Agent may, in its sole discretion, deem advisable in order to perfect, protect and maintain Agent's security interests, and priority thereof, in the Collateral and to fully consummate all the transactions contemplated by this Agreement and the other Loan Documents (including such Financing Statements and continuation Financing Statements, and amendments or other modifications thereto, as Agent shall deem necessary or appropriate) and to notify Account Debtors of the Loan Party Obligors in the manner contemplated by Section 6.3, (ii) endorse such Loan Party Obligor's name on all checks and other forms of remittances received by Agent, (iii) pay any sums required on account of such Loan Party Obligor's taxes or to secure the release of any Liens therefor, (iv) pay any amounts necessary to obtain, or maintain in effect, any of the insurance described in Section 7.14, (v) receive and otherwise take control in any manner of any cash or non-cash items of payment or Proceeds of Collateral, (vi) receive and open all mail addressed to such Loan Party Obligor at any post office box or lockbox maintained by Agent for such Loan Party Obligor or at any other business premises of Agent and (vii) endorse or assign to Agent on such Loan Party Obligor's behalf any portion of Collateral evidenced by an agreement, Instrument or Document if an endorsement or assignment of any such items is not made by such Loan Party Obligor pursuant to Section 5.2; and

(b) at any time, after the occurrence and during the continuance of an Event of Default, (i) execute on behalf of such Loan Party Obligor any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or lease (as lessor or lessee) any real or personal property which is ABL Priority Collateral, (ii) execute on behalf of such Loan Party Obligor any invoices relating to any Accounts, any draft against any Account Debtor, any proof of claim in bankruptcy, any notice of Lien or claim, and any assignment or satisfaction of mechanic's, materialman's or other Lien, (iii) execute on behalf of such Loan Party Obligor any notice to any Account Debtor, (iv) pay, contest or settle any Lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same, (v) grant extensions of time to pay, compromise claims relating to, and settle Accounts, Chattel Paper and General Intangibles for less than face value and execute all releases and other documents in connection therewith, (vi) settle and adjust, and give releases of, any insurance claim that relates to any of the ABL Priority Collateral and obtain payment therefor, (vii) instruct any third party having custody or control of any ABL Priority Collateral or books or records belonging to, or relating to, such Loan Party Obligor to give Agent the same rights of access and other rights with respect thereto as Agent has under this Agreement or any other Loan Document, (viii) change the address for delivery of such Loan Party Obligor's mail, and (ix) vote any right or interest with respect to any Investment Property (if it is the Control Agent), and (x) instruct any Account Debtor to make all payments due to any Loan Party Obligor directly to Agent.

Any and all sums paid, and any and all costs, expenses, liabilities, obligations and reasonable attorneys' fees (internal and external counsel) of Agent with respect to the foregoing shall be added to and become part of the Obligations, shall be payable on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. Each Loan Party Obligor agrees that Agent's rights under the foregoing power of attorney and any of Agent's other rights under this Agreement or the other Loan Documents shall not be construed to indicate that Agent or any Lender is in control of the business, management or properties of any Loan Party Obligor.

**6.5. Disputes**. Each Loan Party Obligor shall promptly notify Agent of all disputes or claims relating to its Accounts and Chattel Paper in each case in excess of $100,000. Each Loan Party Obligor agrees that it will not, without Agent's prior written consent, compromise or settle any of its Accounts or Chattel Paper for less than the full amount thereof, grant any extension of time for payment of any of its Accounts or Chattel Paper, release (in whole or in part) any Account Debtor or other person liable for the payment of any of its Accounts or Chattel Paper or grant any credits, discounts, allowances, deductions, return authorizations or the like with respect to any of its Accounts or Chattel Paper; except (unless otherwise directed by Agent during the existence of a Default or an Event of Default) such Loan Party Obligor may take any of such actions in the Ordinary Course of Business consistent with past practices.

**6.6. Invoices**. Within a reasonable time following Agent's request, each Loan Party Obligor will cause all invoices and statements that it sends to Account Debtors or other third parties to be marked and authenticated, in a manner reasonably satisfactory to Agent, to reflect Agent's security interest therein and payment instructions (including, but not limited to, in a manner to meet the requirements of Section 9-404(a)(2) of the UCC or, in the case of the Canadian Borrowers, the PPSA, as applicable).

**6.7. Inventory**.

(a) **Returns**. No Loan Party Obligor will accept returns of any Inventory from any Account Debtor except in the Ordinary Course of Business. In the event the value of returned Inventory in any one calendar month exceeds $500,000 (collectively for all Loan Party Obligors), Borrower Representative will immediately notify Agent (which notice shall specify the value of all such returned Inventory, the reasons for such returns, and the locations and the condition of such returned Inventory).

(b) **Third Party Locations**. No Loan Party Obligor will, without Agent's prior written consent, at any time, store any Inventory with any warehouseman or other third party other than (i) as set forth in Section 1(d) of the Perfection Certificate, (ii) Permitted Asset Dispositions, (iii) at other locations in the United States or Canada, upon 30 Business Days' prior written notice to Agent (and Section 1(d) of the Perfection Certificate will be updated to reflect such location), (iv) transport Collateral to trade shows or other industry expositions for marketing purposes in the Ordinary Course of Business, (v) send Equipment to repair facilities in the Ordinary Course of Business, and (iv) allow employees to utilize Collateral at remote locations in the Ordinary Course of Business.

(c) **Sale on Return, etc**. No Loan Party Obligor will, without Agent's prior written consent, at any time, sell any Inventory on a sale-or-return, guarantied sale, consignment, or other contingent basis.

(d) **Fair Labor Standards Act**. Each Loan Party Obligor represents, warrants and covenants that, at all times, all of the Inventory of each Loan Party Obligor has been, at all times will be, produced only in accordance with the Fair Labor Standards Act of 1938 and all rules, regulations and orders promulgated thereunder.

(e) **Eligibility**. As of each date reported by any Borrower, all Inventory which such Borrower has then reported to Agent as then being Eligible Inventory comply in all respects with the criteria for eligibility set forth in the definition of Eligible Inventory.

**7. REPRESENTATIONS, WARRANTIES AND AFFIRMATIVE COVENANTS**.

To induce Agent and the Lenders to enter into this Agreement, each Loan Party Obligor represents, warrants and covenants as follows (it being understood and agreed that (a) each such representation and warranty (i) will be made as of the date hereof and be deemed remade as of each date on which any Loan is made (except to the extent any such representation or warranty expressly relates only to any earlier or specified date, in which case such representation or warranty will be made as of such earlier or specified date) and (ii) shall not be affected by any knowledge of, or any investigation by, Agent or any Lender and (b) each such covenant shall continuously apply with respect to all times commencing on the date hereof and continuing until the Termination Date):

**7.1. Existence and Authority**. Each Loan Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization (which jurisdiction is identified in Section 1(a) of the Perfection Certificate) and is qualified to do business in each jurisdiction in which the failure to be qualified would have a Material Adverse Effect. Each Loan Party has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby. The execution, delivery and performance by each Loan Party Obligor of this Agreement and all of the other Loan Documents to which such Loan Party Obligor is a party have been duly and validly authorized, do not violate such Loan Party Obligor's Governing Documents or any law or any material agreement or instrument or any court order which is binding upon any Loan Party or its property, do not constitute grounds for acceleration of any Indebtedness or obligation under any material agreement or instrument which is binding upon any Loan Party or its property, and do not require the consent of any Person. Each Loan Party Obligor shall preserve and maintain all of its leases, licenses, permits, franchises qualifications, and rights except where the failure to so maintain would be reasonably likely to have a Material Adverse Effect. No Loan Party is required to obtain any government approval, consent, or authorization from, or to file any declaration or statement with, any Governmental Authority in connection with or as a condition to the execution, delivery or performance of any of the Loan Documents. This Agreement and each of the other Loan Documents have been duly executed and delivered by, and are enforceable against, each of the Loan Party Obligors who have signed them, in accordance with their respective terms. Section 1(f) of the Perfection Certificate sets forth the ownership of each Borrower and its Subsidiaries.

**7.2. Names; Trade Names and Styles**. The name of each Loan Party Obligor set forth on Section 1(b) of the Perfection Certificate is its correct and complete legal name as of the date hereof, and no Loan Party Obligor has used any other name at any time in the past five years, or at any time will use any other name, in any tax filing made in any jurisdiction. Listed in Section 1(b) of the Perfection Certificate are all prior names used by each Loan Party Obligor at any time in the past five years and all of the present and prior trade names used by any Loan Party Obligor at any time in the past five years. Borrower Representative shall give Agent at least thirty days' prior written notice (and will deliver an updated Section 1(b) of the Perfection Certificate to reflect the same) before it or any other Loan Party Obligor changes its legal name or does business under any other name.

**7.3. Title to Collateral; Third Party Locations; Permitted Liens**. Each Loan Party Obligor has, and at all times will continue to have, good and marketable title to all of the Collateral. The Collateral now is, and at all times will remain, free and clear of any and all Liens, except for Permitted Liens. Agent now has, and will at all times continue to have, a first-priority perfected and enforceable security interest in all of the ABL Priority Collateral, subject only to the Permitted Liens, and each Loan Party Obligor will at all times defend Agent and the ABL Priority Collateral against all claims of others. Agent now has, and will at all times continue to have, a second-priority perfected and enforceable security interest in all of the Collateral not constituting ABL Priority Collateral, subject only to the Permitted Liens, and each Loan Party Obligor will at all times defend Agent and such Collateral against all claims of others. Except for leases or subleases as to which Borrowers have delivered to Agent a landlord's waiver in form and substance reasonably satisfactory to Agent (unless waived by Agent in its sole discretion; ***provided***, that such waiver may be conditioned upon Agent establishing a rent or other similar Reserve satisfactory to Agent in its sole discretion), no Loan Party Obligor is or will be a lessee or sublessee under any real property lease or sublease. Except for warehouses as to which Borrowers have delivered to Agent a warehouseman's waiver in form and substance reasonably satisfactory to Agent (unless waived by Agent in its sole discretion; ***provided***, that such waiver may be conditioned upon Agent establishing a rent or other similar Reserve satisfactory to Agent in its sole discretion), no Loan Party Obligor is or will at any time be a bailor of any Goods at any warehouse or otherwise. Except as provided in Section 6.7(b), prior to causing or permitting any Collateral to at any time be located upon premises in which any third party (including any landlord, warehouseman, or otherwise) has an interest, Borrower Representative shall notify Agent and the applicable Loan Party Obligor shall cause each such third party to execute and deliver to Agent, in form and substance reasonably acceptable to Agent, such waivers, collateral access agreements, and subordinations as Agent shall specify, so as to, among other things, ensure that Agent's rights in the Collateral are, and will at all times continue to be, superior to the rights of any such third party and that Agent has access to such Collateral. Each applicable Loan Party Obligor will keep at all times in full force and effect, and will comply at all times with all the terms of, any lease of real property where any of the Collateral now or in the future may be located.

**7.4.** **Accounts and Chattel Paper**. As of each date reported by Borrowers, all Accounts which any Borrower has then reported to Agent as then being Eligible Accounts comply in all respects with the criteria for eligibility set forth in the definition of Eligible Accounts. All such Accounts, and all Chattel Paper owned by any Loan Party Obligor, are genuine and in all respects what they purport to be, arise out of a completed, bona fide and unconditional and non-contingent sale and delivery of goods or rendition of services by a Borrower in the Ordinary Course of Business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto, each Account Debtor thereunder had the capacity to contract at the time any contract or other document giving rise to such Accounts and Chattel Paper were executed, and the transactions giving rise to such Accounts and Chattel Paper comply with all applicable laws and governmental rules and regulations.

**7.5.** **Electronic Chattel Paper**. To the extent that any Loan Party Obligor obtains or maintains any Electronic Chattel Paper, such Loan Party Obligor shall at all times create, store and assign the record or records comprising the Electronic Chattel Paper in such a manner that (a) a single authoritative copy of the record or records exists which is unique, identifiable and except as otherwise provided below, unalterable, (b) the authoritative copy identifies Agent as the assignee of the record or records, (c) the authoritative copy is communicated to and maintained by Agent or its designated custodian, (d) copies or revisions that add or change an identified assignee of the authoritative copy can only be made with the participation of Agent, (e) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy and (f) any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

**7.6.** **Capitalization; Investment Property.**

(a) No Loan Party, directly or indirectly, owns, or shall at any time own, any capital stock or other equity interests of any other Person except as set forth in Sections 1(f) and 1(g) of the Perfection Certificate, which Sections list all Investment Property owned by each Loan Party Obligor.

(b) None of the Pledged Equity has been issued or otherwise transferred in violation of the Securities Act, or other applicable laws of any jurisdiction to which such issuance or transfer may be subject. The Pledged Equity pledged by each Loan Party Obligor hereunder constitutes all of the issued and outstanding equity interests of each Issuer owned by such Loan Party Obligor, other than to the extent such Pledged Equity is a controlled foreign corporation in which case such Pledged Equity constitutes 65% of the issued and outstanding equity interests of such Issuer.

(c) All of the Pledged Equity has been duly and validly issued and is fully paid and non-assessable, and the holders thereof are not entitled to any preemptive, first refusal or other similar rights. There are no outstanding options, warrants or similar agreements, documents, or instruments with respect to any of the Pledged Equity except in favor of the Term Loan Agent.

(d) Each Loan Party Obligor has caused each Issuer to amend or otherwise modify its Governing Documents, books, records, and related agreements, documents and instruments, as applicable, to reflect the rights and interests of the Term Loan Agent, and to the extent required to enable and empower Term Loan Agent to exercise and enforce its rights and remedies hereunder in respect of the Pledged Equity and other Investment Property.

(e) Each Loan Party Obligor will take any and all actions required or requested by Agent, from time to time, to (i) cause Agent to obtain exclusive control of any Investment Property that is ABL Priority Collateral in a manner reasonably acceptable to Agent and (ii) obtain from any Issuers and such other Persons as Agent shall specify, for the benefit of Agent, written confirmation of Agent's exclusive control over such Investment Property that is ABL Priority Collateral and take such other actions as Agent may request to perfect Agent's security interest in any Investment Property that is ABL Priority Collateral. For purposes of this Section 7.6, Term Loan Agent shall have exclusive control of Investment Property if (A) pursuant to Section 5.2, such Investment Property consists of certificated securities and the applicable Loan Party Obligor delivers such certificated securities to Term Loan Agent (with all appropriate endorsements), (B) such Investment Property consists of uncertificated securities and either (x) the applicable Loan Party Obligor delivers such uncertificated securities to Term Loan Agent or (y) the Issuer thereof agrees, pursuant to documentation in form and substance reasonably satisfactory to Term Loan Agent, that it will comply with instructions originated by Term Loan Agent without further consent by the applicable Loan Party Obligor and (C) such Investment Property consists of security entitlements and either (x) Term Loan Agent becomes the entitlement holder thereof or (y) the appropriate securities intermediary agrees, pursuant to documentation in form and substance reasonably satisfactory to Term Loan Agent, that it will comply with entitlement orders originated by Term Loan Agent without further consent by the applicable Loan Party Obligor. Each Loan Party Obligor that is a limited liability company or a partnership hereby represents and warrants that it has not elected, and at no time will, elect pursuant to the provisions of Section 8-103 of the UCC to provide that its equity interests are securities governed by Article 8 of the UCC or make a similar election under the laws of any other jurisdiction.

(f) No Loan Party owns, or has any present intention of acquiring, any "***margin security***" or any "***margin stock***" within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System (herein called "***margin security***" and "***margin stock***"). None of the proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry, any margin security or margin stock or for any other purpose which might constitute the transactions contemplated hereby a "***purpose credit***" within the meaning of said Regulations T, U or X, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Exchange Act, or any rules or regulations promulgated under such statutes.

(g) No Loan Party Obligor shall vote to enable, or take any other action to cause or to permit, any Issuer to issue any equity interests of any nature, or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any equity interests of any nature of any Issuer.

(h) No Loan Party Obligor shall take, or fail to take, any action that would in any manner impair the value or the enforceability of Term Loan Agent's Lien on any of the Investment Property, or any of Term Loan Agent's rights or remedies under this Term Loan Documents with respect to any of the Investment Property.

(i) In the case of any Loan Party Obligor which is an Issuer, such Issuer agrees that the terms of Section 11.3(g)(iii) shall apply to such Loan Party Obligor with respect to all actions that may be required of it pursuant to such Section 11.3(g)(iii) regarding the Investment Property issued by it.

(j) Each Loan Party Obligor has made all capital contributions heretofore required to be made to the respective Issuer in respect of any Investment Property constituting limited liability company interests and no additional capital contributions are required to be made in respect of the respective limited liability company interests.

**7.7. Commercial Tort Claims**. No Loan Party Obligor has any Commercial Tort Claims in excess of $100,000 pending other than those listed in Section 2 of the Perfection Certificate, and each Loan Party Obligor shall promptly (but in any case, no later than five Business Days thereafter) notify Agent in writing upon incurring or otherwise obtaining a Commercial Tort Claim after the date hereof against any third party. Such notice shall constitute such Loan Party Obligor's authorization to amend such Section 2 to add such Commercial Tort Claim and shall automatically be deemed to amend such Section 2 to include such Commercial Tort Claim.

**7.8. Jurisdiction of Organization; Location of Collatera**l. Sections 1(c) and 1(d) of the Perfection Certificate set forth (a) each place of business of each Loan Party Obligor (including its chief executive office), (b) all locations where all Inventory, Equipment, and other Collateral owned by each Loan Party Obligor is kept and (c) whether each such Collateral location and place of business (including each Loan Party Obligor's chief executive office) is owned by a Loan Party or leased (and if leased, specifies the complete name and notice address of each lessor). Except as permitted by Section 6.7(b), no Collateral is located outside the United States or Canada or in the possession of any lessor, bailee, warehouseman or consignee, except as expressly indicated in Sections 1(c) and 1(d) of the Perfection Certificate. Each Loan Party Obligor will give Agent at least thirty (30) days' prior written notice before changing its jurisdiction of organization, opening any additional place of business, changing its chief executive office or the location of its books and records, or, subject to Section 6.7(b) moving any of the Collateral to a location other than one of the locations set forth in Sections 1(c) and 1(d) of the Perfection Certificate, and will execute and deliver all Financing Statements, landlord waivers, collateral access agreements, mortgages, and all other agreements, instruments and documents which Agent shall require in connection therewith prior to making such change, all in form and substance reasonably satisfactory to Agent. Without the prior written consent of Agent, no Loan Party Obligor will at any time (i) change its jurisdiction of organization or (ii) allow any Collateral to be located outside of the continental United States of America or Canada.

**7.9. Financial Statements and Reports; Solvency.**

(a) All financial statements delivered to Agent and Lenders by or on behalf of any Loan Party have been, and at all times will be, prepared in conformity with GAAP and completely and fairly reflect the financial condition of each Loan Party covered thereby, at the times and for the periods therein stated.

(b) As of the date hereof (after giving effect to the Loans to be made on the date hereof, and the consummation of the transactions contemplated hereby), and as of each other day that any Loan is made (after giving effect thereof), (i) the fair saleable value of all of the assets and properties of each Loan Party, individually, exceeds the aggregate liabilities and Indebtedness of each such Loan Party (including contingent liabilities), (ii) each Loan Party, individually, is solvent and able to pay its debts as they come due, (iii) each Loan Party, individually, has sufficient capital to carry on its business as now conducted and as proposed to be conducted, (iv) no Loan Party is contemplating either the liquidation of all or any substantial portion of its assets or property, or the filing of any petition under any state, federal, or other bankruptcy or insolvency law and (v) no Loan Party has knowledge of any Person contemplating the filing of any such petition against any Loan Party.

**7.10. Tax Returns and Payments; Pension Contributions**. Each Loan Party has filed all Canadian and U.S. federal, provincial, state and material local and foreign tax returns and other reports that it is required by law to file, and has paid, or made provision for the payment of, all Taxes upon it, its income and its Properties that are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Obligor and Subsidiary is adequate for all years not closed by applicable statutes, and for its current Fiscal Year. Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable laws. Each Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter or opinion letter from the Internal Revenue Service to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the Internal Revenue Service. To the best knowledge of each Loan Party, nothing has occurred that would prevent or cause the loss of such tax-qualified status. There are no pending or, to the best knowledge of any Loan Party, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to result in liabilities individually or in the aggregate in excess of $250,000 of any Loan Party. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in liabilities individually or in the aggregate of any Loan Party in excess of $250,000. No ERISA Event has occurred, and no Loan Party is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan, in each case that could reasonably be expected to result in liabilities individually or in the aggregate in excess of $250,000. Each Loan Party and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained, in each case except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. As of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is sixty (60%) or higher and no Loan Party knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below sixty (60%) as of the most recent valuation date. No Loan Party or any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid, except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. No Loan Party or any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000. No Pension Plan has been terminated by the plan administrator thereof or by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan, except as could not reasonably be expected to result in liabilities individually or in the aggregate to the Loan Parties in excess of $250,000.

**7.11. Compliance with Laws; Intellectual Property; Licenses.**

(a) Each Loan Party has complied, and will continue at all times to comply (a) in all material respects with applicable laws and regulations governing the payment and withholding of Taxes, ERISA, safety and environmental matters, and (b) with other applicable laws and regulations relating to the ownership of real or personal property, the conduct and licensing of each Loan Party's business and other employee matters except where noncompliance could not reasonably be expected to have a Material Adverse Effect.

(b) No Loan Party has received written notice of default or violation, or is in default or violation, with respect to any material judgment, order, writ, injunction, decree, demand or assessment issued by any court or any federal, state, local, municipal or other Governmental Authority relating to any aspect of any Loan Party's business, affairs, properties or assets. No Loan Party has received written notice of or been charged with, or is, to the knowledge of any Loan Party, under investigation with respect to, any violation of any material and applicable law.

(c) To the Loan Parties' knowledge, each Loan Party owns or has the lawful right to use all Intellectual Property necessary for the conduct of its business, without conflict with any rights of others. There is no pending or, to any Loan Party's knowledge, threatened Intellectual Property Claim with respect to any Obligor, any Subsidiary or any of its Property (including any Intellectual Property). Except as disclosed on Section 4 of the Perfection Certificate, no Loan Party pays or owes any Royalty or other compensation to any Person with respect to any material Intellectual Property. All Intellectual Property that is licensed by or is subject to a pending application or current registration that is owned by any Obligor or Subsidiary is shown on Section 4 of the Perfection Certificate. To any Loan Party's knowledge, there is no third party Intellectual Property licensed to a Loan Party that is necessary for, or critical to, the manufacture, sale or distribution of any products or services of any Obligor, and no licensed third party Intellectual Property is necessary for Agent to exercise its rights to enforce Agent's Liens with respect to the ABL Priority Collateral, including the right to dispose of it, in the event of an Event of Default.

(d) Each Loan Party has and will continue at all times to have, all federal, state, provincial, local and other licenses and permits required to be maintained in connection with such Loan Party's business operations, and all such licenses and permits are valid and in full force and effect. Each Loan Party has, and will continue at all times to have, complied with the requirements of such licenses and permits in all material respects, except where the failure to comply could not reasonably be expected to have a Material Adverse Effect, and as of the Closing Date has received no written notice of any pending or threatened proceedings for the suspension, termination, revocation or limitation thereof. No Loan Party is aware of any facts or conditions that could reasonably be expected to cause or permit any of such licenses or permits to be voided, revoked or withdrawn.

**7.12. Litigation**. Section 1(e) of the Perfection Certificate discloses all claims, proceedings, litigation or investigations pending or (to the best of each Loan Party Obligor's knowledge) threatened against any Loan Party as of the Closing Date. There is no claim, suit, litigation, proceeding or investigation pending or (to the best of each Loan Party Obligor's knowledge) threatened by or against or affecting any Loan Party in any court or before any Governmental Authority (or any basis therefor known to any Loan Party Obligor) which may result, either separately or in the aggregate, in liability in excess of $500,000 (to the extent not covered by insurance) for the Loan Parties, in any Material Adverse Effect, or in any material impairment in the ability of any Loan Party to carry on its business in substantially the same manner as it is now being conducted.

**7.13. Use of Proceeds**. All proceeds of all Loans shall be used by Borrowers solely (a) with respect to Loans made on the Closing Date, to repay in full its indebtedness owing to Bank of America, NA pursuant to the Existing ABL Agreement, (b) to pay the fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents and the transactions contemplated hereby and thereby, (c) for Borrowers' working capital purposes and (d) for such other purposes as specifically permitted pursuant to the terms of this Agreement. All proceeds of all Loans will be used solely for lawful business purposes.

**7.14. Insurance.**

(a) Each Loan Party will at all times carry property, liability and other insurance, with insurers reasonably acceptable to Agent, in such form and amounts, and with such deductibles and other provisions, as Agent shall reasonably require, but in any event, in such amounts and against such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which such Loan Party operates, and each Borrower will provide Agent with evidence reasonably satisfactory to Agent that such insurance is, at all times, in full force and effect. A true and complete listing of such insurance as of the Closing Date, including issuers, coverages and deductibles, is set forth in Section 5 of the Perfection Certificate. Each property insurance policy shall name Agent as lender loss payee and mortgagee, if applicable, and shall contain a lender's loss payable endorsement, and a mortgage endorsement, if applicable, and each liability insurance policy shall name Agent as an additional insured, and each business interruption insurance policy shall be collaterally assigned to Agent, all in form and substance reasonably satisfactory to Agent. All policies of insurance shall provide that they may not be cancelled or changed without at least thirty (30) days' (or, with respect to nonpayment of premiums, ten (10) days') prior written notice to Agent, and shall otherwise be in form and substance reasonably satisfactory to Agent. Borrower Representative shall advise Agent promptly of any policy cancellation, non-renewal, reduction, or material amendment with respect to any insurance policies maintained by any Loan Party or any receipt by any Loan Party of any notice from any insurance carrier regarding any intended or threatened cancellation, non-renewal, reduction or material amendment of any of such policies, and Borrower Representative shall promptly deliver to Agent copies of all notices and related documentation received by any Loan Party in connection with the same.

(b) Borrower Representative shall deliver to Agent no later than fifteen (15) days prior to the expiration of any then current insurance policies, insurance certificates evidencing renewal of all such insurance policies required by this Section 7.14. Borrower Representative shall deliver to Agent, upon Agent 's request, certificates evidencing such insurance coverage in such form as Agent shall specify.

(c) **IF ANY LOAN PARTY AT ANY TIME OR TIMES HEREAFTER SHALL FAIL TO OBTAIN OR MAINTAIN ANY OF THE POLICIES OF INSURANCE REQUIRED ABOVE (AND PROVIDE EVIDENCE THEREOF TO AGENT) OR TO PAY ANY PREMIUM RELATING THERETO, THEN AGENT, WITHOUT WAIVING OR RELEASING ANY OBLIGATION OR DEFAULT BY ANY BORROWER HEREUNDER, MAY (BUT SHALL BE UNDER NO OBLIGATION TO) OBTAIN AND MAINTAIN SUCH POLICIES OF INSURANCE AND PAY SUCH PREMIUMS AND TAKE SUCH OTHER ACTIONS WITH RESPECT THERETO AS AGENT DEEMS ADVISABLE UPON NOTICE TO BORROWER REPRESENTATIVE. SUCH INSURANCE, IF OBTAINED BY AGENT, MAY, BUT NEED NOT, PROTECT ANY LOAN PARTY'S INTERESTS OR PAY ANY CLAIM MADE BY OR AGAINST ANY LOAN PARTY WITH RESPECT TO THE COLLATERAL. SUCH INSURANCE MAY BE MORE EXPENSIVE THAN THE COST OF INSURANCE ANY LOAN PARTY MAY BE ABLE TO OBTAIN ON ITS OWN AND MAY BE CANCELLED ONLY UPON THE APPLICABLE LOAN PARTY PROVIDING EVIDENCE THAT IT HAS OBTAINED THE INSURANCE AS REQUIRED ABOVE. ALL SUMS DISBURSED BY AGENT IN CONNECTION WITH ANY SUCH ACTIONS, INCLUDING COURT COSTS, EXPENSES, OTHER CHARGES RELATING THERETO AND REASONABLE INTERNAL AND EXTERNAL ATTORNEY COSTS, SHALL CONSTITUTE LOANS HEREUNDER, SHALL BE PAYABLE ON DEMAND BY BORROWERS TO AGENT AND, UNTIL PAID, SHALL BEAR INTEREST AT THE HIGHEST RATE THEN APPLICABLE TO LOANS HEREUNDER.**

**7.15. Financial, Collateral and Other Reporting / Notices**. Each Loan Party has kept, and will at all times keep, adequate records and books of account with respect to its business activities and the Collateral in which proper entries are made in accordance with GAAP reflecting all its financial transactions. The information provided in the Perfection Certificate is correct and complete in all respects. Each Loan Party Obligor will cause to be prepared and furnished to Agent, in each case in a form and in such detail as is acceptable to Agent the following items (the items to be provided under this Section 7.15 shall be delivered to Agent by posting on ABLSoft or, if requested by Agent, by another form of Approved Electronic Communication or in writing):

(a) **Annual Financial Statements**. Not later than one hundred twenty (120) days after the close of each Fiscal Year, unqualified, audited consolidated financial statements of the Loan Parties as of the end of such Fiscal Year, including balance sheet, income statement, and statement of cash flow for such Fiscal Year, in each case on a consolidated and consolidating basis, certified by a firm of independent certified public accountants of recognized standing selected by Borrowers but acceptable to Agent, together with a copy of any management letter issued in connection therewith. Concurrently with the delivery of such financial statements, Borrower Representative shall deliver to Agent a Compliance Certificate, indicating whether (i) Borrowers are in compliance with each of the covenants specified in Section 9, and setting forth a detailed calculation of such covenants and (ii) any Default or Event of Default is then in existence;

(b) **Interim Financial Statements**. Not later than thirty (30) days after the end of each month hereafter, but within 45 days after the last month of each Fiscal Year, unaudited consolidated and consolidating financial statements of the Loan Parties as of the end of such month and of the portion of such Fiscal Year then elapsed, including balance sheet, income statement, statement of cash flow, and results of their respective operations during such month and the then- elapsed portion of the Fiscal Year, together with comparative figures for the same periods in the immediately preceding Fiscal Year and the corresponding figures from the budget for the Fiscal Year covered by such financial statements, in each case on a consolidated and consolidating basis, certified by the principal financial officer of Borrower Representative as prepared in accordance with GAAP and fairly presenting the consolidated financial position and results of operations (including management discussion and analysis of such results) of each Loan Party for such month and period subject only to changes from ordinary course year-end audit adjustments and except that such statements need not contain footnotes. Concurrently with the delivery of such financial statements, Borrower Representative shall deliver to Agent a Compliance Certificate, indicating whether (i) Borrowers are in compliance with each of the covenants specified in Section 9, and setting forth a detailed calculation of such covenants, and (ii) any Default or Event of Default is then in existence;

(c) **Borrowing Base / Collateral Reports / Insurance Certificates / Perfection Certificates / Other Items**. The items described on Annex II hereto by the respective dates set forth therein.

(d) **Projections, Etc**. Not later than thirty (30) days after the end of each Fiscal Year, monthly business projections for the following Fiscal Year for the Loan Parties on a consolidated and consolidating basis, which projections shall include for each such period Borrowing Base projections, profit and loss projections, balance sheet projections, income statement projections and cash flow projections;

(e) **Shareholder Reports, Etc**. Promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which each Loan Party has made available to its shareholders and copies of any regular, periodic and special reports or registration statements which any Loan Party files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or any national securities exchange;

(f) **ERISA Reports**. Copies of any annual report to be filed pursuant to the requirements of ERISA in connection with each plan subject thereto promptly upon request by Agent and in addition, each Loan Party shall promptly notify Agent upon having knowledge of any ERISA Event; and

(g) **Tax Returns**. Each federal, state and provincial income tax return filed by any Loan Party or Other Obligor promptly (but in no event later than ten days following the filing of such return), together with such supporting documentation as is supplied to the applicable tax authority with such return and proof of payment of any amounts owing with respect to such return.

(h) **Notification of Certain Changes**. Promptly (and in no case later than the earlier of (i) three Business Days after a Loan Party obtaining knowledge the occurrence of any of the following and (ii) such other date that such information is required to be delivered pursuant to this Agreement or any other Loan Document) notification to Agent in writing of (A) the occurrence of any Default or Event of Default, (B) the occurrence of any event that has had, or may have, a Material Adverse Effect, (C) any change in any Loan Party's officers or directors, (D) any investigation, action, suit, proceeding or claim (or any material development with respect to any existing investigation, action, suit, proceeding or claim) relating to any Loan Party, any officer or director of a Loan Party, the Collateral or which may result in a Material Adverse Effect, (E) any material loss or damage to the Collateral, (F) any event or the existence of any circumstance that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect, any Default, or any Event of Default, or which would make any representation or warranty previously made by any Loan Party to Agent untrue in any material respect or constitute a material breach if such representation or warranty was then being made, (G) any actual or alleged breaches of any Material Contract or termination or threat to terminate any Material Contract or any material amendment to or modification of a Material Contract, or the execution of any new Material Contract by any Loan Party and (H) any change in any Loan Party's certified independent accountant. In the event of each such notice under this Section 7.15(h), Borrower Representative shall give notice to Agent of the action or actions that each Loan Party has taken, is taking, or proposes to take with respect to the event or events giving rise to such notice obligation.

(i) **Other Information**. Promptly upon request, such other data and information (financial and otherwise) as Agent, from time to time, may reasonably request, bearing upon or related to the Collateral or each Loan Party's and each Other Obligor's business or financial condition or results of operations.

(j) **Notices Under Material Contracts**. Promptly upon any delivery to Loan Party or any of their Subsidiaries of any material notices under any Material Contract, a written statement describing such event, with copies of such amendments, notices or new contracts, delivered to Agent, and a description of any actions being taken pursuant thereto.

(k) **Notices Relating to Term Loan Facility**. Promptly after any Loan Party Obligor knows or has reason to know that any Default or Event of Default has occurred and is continuing, any "Default" or "Event of Default" under and as defined in any Term Loan Documents has occurred and is continuing occurred, but in any event not later than five (5) Business Days after any Loan Party Obligor becomes aware thereof, a notice from the Borrower Representative of such Default, Event of Default, "Default", "Event of Default" describing the same in reasonable detail and a description of the action that the Loan Party Obligors have taken and propose to take with respect thereto.

**7.16. Litigation Cooperation**. Should any third-party suit, regulatory action, or any other judicial, administrative, or similar proceeding be instituted by or against Agent or any Lender with respect to any Collateral or in any manner relating to any Loan Party, this Agreement, any other Loan Document or the transactions contemplated hereby, each Loan Party Obligor shall, without expense to Agent or any Lender, make available each Loan Party, such Loan Party's officers, employees and agents, and any Loan Party's books and records, without charge, to the extent that Agent or such Lender may deem them reasonably necessary in order to prosecute or defend any such suit or proceeding.

**7.17. Maintenance of Collateral, Etc**. Each Loan Party Obligor will maintain all of the Collateral in good working condition, ordinary wear and tear excepted, and no Loan Party Obligor will use the Collateral for any unlawful purpose.

**7.18. Material Contracts**. No Loan Party is a party to a Material Contract except as set forth on Schedule 7.18. The Material Contracts listed on Schedule 7.18 are in full force and effect and there are no events of thereunder or, to the knowledge of the Loan Parties, any event which with notice or passage of time, or both, would constitute and event of default thereunder.

**7.19. No Default**. No Default or Event of Default has occurred and is continuing.

**7.20. No Material Adverse Change**. Since December 31, 2018 there has been no material adverse change in the financial condition, business, operations, or properties of any Loan Party or any Other Obligor.

**7.21. Full Disclosure**. Excluding projections and other forward-looking information, pro forma financial information and information of a general economic or industry nature, no report, notice, certificate, information or other statement delivered or made (including, in electronic form) by or on behalf of any Loan Party, any Other Obligor or any of their respective Affiliates to Agent or Lender in connection with this Agreement or any other Loan Document contains or will at any time contain any untrue statement of a material fact, or omits or will at any time omit to state any material fact necessary to make any statements contained herein or therein not misleading. Except for matters of a general economic or political nature which do not affect any Loan Party or any Other Obligor uniquely, there is no fact presently known to any Loan Party Obligor which has not been disclosed to Agent, which has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Any projections and other forward-looking information and pro forma financial information contained in such materials were prepared in good faith based upon assumptions that were believed by such Loan Party to be reasonable at the time prepared and at the time furnished in light of conditions and facts then known (it being recognized that such projections and other forward-looking information and pro forma financial information are not to be viewed as facts and that actual results during the period or periods covered by any such projections or information may differ from the projected results, and such differences may be material).

**7.22. Sensitive Payments**. No Loan Party (a) has made or will at any time make any contributions, payments or gifts to or for the private use of any governmental official, employee or agent where either the payment or the purpose of such contribution, payment or gift is illegal under the applicable laws of the United States or the jurisdiction in which made or any other applicable jurisdiction, (b) has established or maintained or will at any time establish or maintain any unrecorded fund or asset for any purpose or made any false or artificial entries on its books, (c) has made or will at any time make any payments to any Person with the intention that any part of such payment was to be used for any purpose other than that described in the documents supporting the payment or (d) has engaged in or will at any time engage in any "***trading with the enemy***" or other transactions violating any rules or regulations of the Office of Foreign Assets Control or any similar applicable laws, rules or regulations.

**7.23. Holdings**. Holdings shall not: (a) engage in any activities other than acting as a holding company and transactions incidental thereto, maintaining its corporate existence, and entering into and performing its obligations under the Loan Documents, the Term Loan Documents and the HHG Note; (b) hold any assets other than (i) all of the issued and outstanding equity interests of any Borrower, (ii) contractual rights pursuant to the Loan Documents, Term Loan Documents, and (iii) cash in an amount not to exceed the amount required for the purpose of promptly paying general operating expenses (including audit fees, reasonable and customary director and officer compensation and indemnification obligations pursuant to its Governing Documents); and (c) incur any liabilities other than under the Loan Documents, under the Term Loan Documents and obligations incurred in the Ordinary Course of Business related to its existence, including Taxes, franchise or other entity existence taxes and fees payable to its state of incorporation or organization, payment of reasonable and customary director fees and expenses, and indemnification obligations pursuant to its Governing Documents.

**7.24. Term Loan Facility.**

(a) Borrower Representative has furnished Agent a true, correct and complete copy of each of the Term Loan Documents. No statement or representation made in any of the Term Loan Documents by any Loan Party Obligor or, to any Borrower Representative 's knowledge, any other Person, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect as of the time that such statement or representation is made.

(b) As of the Closing Date, neither Ultimate Parent, Investment Corp. nor any of their respective direct or indirect Subsidiaries other than the Loan Party Obligors (i) are borrowers or guarantors of the Term Loan Facility or (ii) have granted any Liens to the Term Loan Agent on any or their assets. Loan Party Obligors agree that, if after the Closing Date, Ultimate Parent, Investment Corp. or any of their respective direct or indirect Subsidiaries other than the Loan Party Obligors (i) become borrowers or guarantors in respect of the Term Loan Facility or (ii) grant any Liens to the Term Loan Agent, such Persons shall promptly agree to become Loan Party Obligors under this Agreement and grant Liens to the Lenders and the Agent in such assets of such Persons in which the Term Loan Agent are so granted a Lien (such assets, the "New Collateral"), in each case, subject to the lien priorities described below, on the same terms as such Persons become borrowers or guarantors and grant Liens in respect of the Term Loan Facility and in a manner consistent with the terms of the Intercreditor Agreement; provided, that, for the avoidance of doubt, the obligations of the Loan Party Obligors under this sentence shall be deemed satisfied if (x) the Liens granted to the Agent and the Lenders in all such New Collateral are subordinated to the Liens granted to the Term Loan Agent in respect of such New Collateral in a manner consistent with the Intercreditor Agreement and (y) the priority of the Liens granted to the Term Loan Agent, the Agent and the Lenders in such New Collateral are consistent with the lien priorities set forth in the Intercreditor Agreement as though all such New Collateral were deemed "Term Loan Priority Collateral" under the Intercreditor Agreement.

(c) For all purposes of the Loan Agreement, the other Loan Documents and the Intercreditor Agreement (including, without limitation, Section 10.1(l) of the Loan Agreement), Agent and the Lenders hereby (i) acknowledge the entry by the Obligors, the Term Loan Agent, Ultimate Parent and Investment Corp. into that certain Side Letter Agreement, dated as of March 15, 2019 (the "***Term Loan Side Letter Agreement***"), (ii) acknowledge the potential consummation of each of the transactions contemplated by the Term Loan Side Letter Agreement at a future date, and (iii) acknowledge that the Obligors shall not be required to comply with the provisions of Section 7.24(b) of this Agreement in connection with any of the matters or transactions described in the Term Loan Side Letter Agreement until, if ever, such transactions are consummated, and if so, in a manner consistent with the last sentence of Section 7.24(b) and the Intercreditor Agreement.

(d) The provisions of the Intercreditor Agreement are enforceable against the Term Loan Agent each holder of the Term Loan Obligations. Each Loan Party Obligor acknowledges that Agent is entering into this Agreement and extending credit and making the Loans in reliance upon the Intercreditor Agreement and this Section 7.24.

**7.25. Subordinated Debt; HHG Note.**

(a) Borrower Representative has furnished Agent a true, correct and complete copy of each of the Subordinated Debt Documents and the HHG Note. No statement or representation made in any of the Subordinated Debt Documents by any Borrower or any other Loan Party or, to any Borrower Representative 's knowledge, any other Person, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect as of the time that such statement or representation is made. Each of the representations and warranties of the Loan Parties set forth in each of the Subordinated Debt Documents and the HHG Note are true and correct in all respects. No portion of the Subordinated Debt is, or at any time shall be, (i) secured by any assets of any of the Loan Parties or any other Person or any equity issued by any of the Loan Parties or any other Person or (ii) guaranteed by any Person (except to the extent expressly permitted by the applicable Subordinated Debt Subordination Agreement).

(b) The provisions of the applicable Subordinated Debt Subordination Agreement and the HHG Subordination Agreement are enforceable against each holder of the applicable Subordinated Debt and the HHG Note. Each Borrower and each other Loan Party Obligor acknowledges that Agent is entering into this Agreement and extending credit and making the Loans in reliance upon the Subordinated Debt Subordination Agreement, the HHG Note Subordination Agreement and this Section 7.25. All Obligations constitute senior Indebtedness entitled to the benefits of the subordination provisions contained in the applicable Subordinated Debt Documents and the HHG Note Subordination Agreement and the applicable Subordinated Debt Subordination Agreement and the HHG Subordination Agreement.

**7.26. Access to Collateral, Books and Records/Retention of Conway MacKenzie**. At reasonable times, Agent and its representatives or agents shall have the right to inspect the Collateral and to examine and copy each Loan Party's books and records. Each Loan Party Obligor agrees to give Agent access to any or all of such Loan Party Obligor's, and each of its Subsidiaries', premises to enable Agent to conduct such inspections and examinations. Such inspections and examinations shall be at Borrowers' expense and the charge therefor shall be $1200 per person per day (or such higher amount as shall represent Agent's then current standard charge), plus out-of-pocket expenses. Agent may, at Borrowers' expense, use each Loan Party's personnel, computer and other equipment, programs, printed output and computer readable media, supplies and premises for the collection, sale or other disposition of Collateral to the extent Agent, in its sole discretion, deems appropriate. Each Loan Party Obligor hereby irrevocably authorizes all accountants and third parties to disclose and deliver to Agent, at Borrowers' expense, all financial information, books and records, work papers, management reports and other information in their possession regarding the Loan Parties. The foregoing notwithstanding, so long as no Event of Default has occurred and is continuing, the Loan Parties' obligation to reimburse Agent for any such visit, inspection and/or examination shall be limited to two such occurrences in any four consecutive fiscal quarter period. Loan Party Obligors shall continue to engage the consulting firm of Conway MacKenzie through the earlier of (i) the end of third quarter of Fiscal Year 2019 or (ii) the date Agent specifies that certain U.S. inventory and accounts receivable aging reporting issues have been resolved to Agent's satisfaction in its Permitted Discretion.

**7.27. Appraisals**. Each Loan Party Obligor will permit Agent and each of its representatives or agents to conduct appraisals and valuations of the ABL Priority Collateral at such times and intervals as Agent may designate (including any appraisals that may be required to comply with FIRREA). Such appraisals and valuations shall be at Borrowers' expense, provided, however, so long as no Event of Default has occurred and is continuing, the Loan Parties' obligation to reimburse Agent for any such appraisal\valuation shall be limited to three appraisals\valuations in any four consecutive fiscal quarter period.

**7.28. Lender Meetings**. Upon the request of any Agent or the Required Lenders (which request, so long as no Event of Default shall have occurred and be continuing, shall not be made more than once during each fiscal quarter), participate in a telephonic meeting with the Agents and the Lenders at such time as may be agreed to by Borrower Representative and such Agent or the Required Lenders.

**7.29. Interrelated Businesses**. Loan Parties make up a related organization of various entities constituting a single economic and business enterprise so that Loan Parties share an identity of interests such that any benefit received by any one of them benefits the others. From time to time each of the Loan Parties may render services to or for the benefit of the other Loan Parties, purchase or sell and supply goods to or from or for the benefit of the others, make loans, advances and provide other financial accommodations to or for the benefit of the other Loan Parties (including inter alia, the payment by such Loan Parties of creditors of the other Loan Parties and guarantees by such Loan Parties of indebtedness of the other Loan Parties and provides administrative, marketing, payroll and management services to or for the benefit of the other Loan Parties). Loan Parties have the same centralized accounting and legal services, certain common officers and directors and generally do not provide stand-alone consolidating financial statements to creditors.

**7.30. Canadian Benefit Plans**. Except where the failure to perform any obligation or make any withholding, collection or payment, as applicable, could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect: (a) all obligations of the Loan Parties (including fiduciary, funding, investment, administration and reporting obligations) required to be performed by them in connection with the Canadian Benefit Plans and the funding agreements therefor have been performed, (b) all contributions or premiums required to be made or paid by the Loan Parties to the Canadian Benefit Plans have been made or paid in a timely fashion in accordance with the terms of such plans and all applicable laws, and (c) all employee contributions to the Canadian Benefit Plans by way of authorized payroll deduction or otherwise have been properly withheld or collected by the Loan Parties and have been fully paid into those plans in compliance with the plans and applicable laws. There have been no improper withdrawals or applications of the assets of the Canadian Benefit Plans. There is no proceeding, action, suit or claim (other than routine claims for benefits) pending or threatened involving the Canadian Benefit Plans, and no facts exist which could reasonably be expected to give rise to that type of proceeding, action, suit or claim, except where the outcome thereof could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. No promises of benefit improvements under the Canadian Benefit Plans by the Loan Parties have been made except where improvement could not have a Material Adverse Effect. The Loan Parties shall perform all obligations (including fiduciary, funding, investment and administration obligations) required to be performed in connection with each Canadian Benefit Plan and the funding media therefor; make all contributions and pay all premiums required to be made or paid by it or them in accordance with the terms of the plan and all applicable laws; and withhold by way of authorized payroll deductions or otherwise collect and pay into the plan all employee contributions required to be withheld or collected in accordance with the terms of the plan and all applicable laws.

**7.31. Canadian Pension Plans**. None of the Loan Parties has any Canadian Pension Plans and none of the Loan Parties shall establish or maintain a Canadian Pension Plan without the prior written consent of the Agent.

**7.32. Post-Closing Matters**. Loan Party Obligors shall satisfy the requirements set forth in Schedule 7.32 on or before the dates specified therein or such later date to be determined by Agent, at its sole option, each of which shall be completed or provided in form and substance reasonably satisfactory to Agent. The failure to satisfy any such requirement on or before the date when due (or within such longer period as Agent may agree at its sole option) shall be an Event of Default, except as otherwise agreed to by Agent at its sole option.

**8. NEGATIVE COVENANTS**. Until the Termination Date, no Loan Party Obligor shall, and no Loan Party Obligor shall permit any other Loan Party to:

(a) Merge, Divide, or consolidate with another Person, form any new Subsidiary, including by any Division thereof, acquire any interest in any Person, or wind-up its business operations or cease substantially all or any material portion of its normal business operations, dissolve or liquidate, except after prior written notice to the Agent, for a merger, amalgamation, combination, consolidation, liquidation, or dissolution of a Borrower into another Borrower (other than a Borrower that is a U.S. Obligor into a Canadian Obligor or vice versa), a wholly-owned Subsidiary of a Borrower into another wholly owned Subsidiary of such Borrower (provided that if any such Person is an Obligor, the Obligor shall be the surviving or continuing entity);

(b) acquire all or a material portion of the assets or the business of any Person; (c) acquire any assets except in the Ordinary Course of Business and as otherwise expressly permitted by this Agreement;

(d) substantially change the nature of the business in which it is presently engaged or enter into any transaction outside the Ordinary Course of Business that is not expressly permitted by this Agreement;

(e) permit an Asset Disposition, sell, lease, assign, transfer, return, liquidate, or dispose of any Collateral or other assets with an aggregate book value in excess of $500,000 in any fiscal year, except that each Loan Party may make a Permitted Asset Disposition;

(f) make any loans to, or investments in, any Affiliate or other Person in the form of money or other assets; ***provided***, that

(i) Borrowers may make loans and investments in its wholly-owned Subsidiaries that are Loan Party Obligors;

(ii) Holdings may make investments in Borrowers;

(iii) Loan Party Obligors may make Permitted Intercompany Loans;

(iv) Loan Party Obligors may make investments consisting of securities of account debtors received pursuant to a plan of reorganization of such account debtor or in connection with the settlement of such accounts;

(v) Loan Party Obligors may make advances to an officer or employee for salary, travel expenses, commissions and similar items in the Ordinary Course of Business;

(vi) Loan Party Obligors may pay prepaid expenses and make extensions of trade credit made in the Ordinary Course of Business;

(vii) Loan Party Obligors may make investments consisting of contributions of capital or asset transfers to Borrowers or Guarantors, so long as no Change of Control occurs as a result thereof, provided that no Loan Party Obligor that is a U.S. Obligor may make contributions of capital or asset transfers to Borrowers or Guarantors that are Canadian Obligors except as otherwise provided herein;

(viii) Loan Party Obligors may make investments consisting of securities or instruments received pursuant to a disposition of assets permitted hereby; and

(ix) Loan Party Obligors may make deposits with financial institutions permitted hereunder;

(g) incur any Indebtedness other than:

(i) the Obligations;

(ii) Permitted Indebtedness; and

(iii) Indebtedness of a Loan Party Obligor consisting of obligations under deferred compensation or other similar arrangements for employees entered into in the Ordinary Course of Business.

(h) create, incur, assume or suffer to exist any Lien or other encumbrance of any nature whatsoever or authorize under the UCC or PPSA of any jurisdiction a Financing Statement naming the Loan Party as debtor, or execute any Security Agreement authorizing any secured party thereunder to file such Financing Statement, other than in favor of Agent to secure the Obligations, on any of its assets whether now or hereafter owned, and Permitted Liens;

(i) authorize, enter into, or execute any agreement giving a Secured Party control of a (i) Deposit Account as contemplated by Section 9-104 of the UCC or (ii) Securities Accounts as contemplated by Section 9-106 of the UCC, in each case other than in favor of Lender to secure the Obligations (or in the case of Canadian Borrowers, the PPSA, as applicable to either (i) or (ii));

(j) enter into any covenant or other agreement that restricts or is intended to restrict it from pledging or granting a security interest in, mortgaging, assigning, encumbering or otherwise creating a Lien on any of its property, whether, real or personal, tangible or intangible, existing or hereafter acquired, in favor of Lender except for:

(i) any agreements governing any Indebtedness permitted under clause (b) or (c) of the definition of Permitted Indebtedness, but only to the extent any such restriction is limited to the assets that are the subject of such agreements;

(ii) (a) customary provisions contained in an agreement restricting assignment of such agreement entered into in the Ordinary Course of Business including the Excluded Property; (b) customary provisions (including customary net worth provisions) in leases, subleases, licenses and sublicenses that restrict the transfer thereof or the transfer of the assets subject thereto by the lessee, sublessee, licensee or sublicensee; and (c) customary restrictions on customer deposits imposed by customers under contracts entered into in the Ordinary Course of Business; and

(iii) customary restrictions that arise in connection with any disposition permitted under Section 8(e) solely to the assets subject to such disposition;

(k) guaranty or otherwise become liable with respect to the obligations (other than the Obligations) of another party or entity except as permitted herein;

(l) make a Restricted Payment unless the Distribution Payment Conditions have been satisfied; ***provided***, that notwithstanding the foregoing:

(i) Loan Party Obligors may declare and accrue any distribution or dividend for shareholders; and

(ii) Loan Party Obligors may make Permitted Tax Distributions;

(m) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Loan Party Obligor's capital stock or other equity interests;

(n) dissolve or elect to dissolve except as permitted in Section 8(a);

(o) engage, directly or indirectly, in a business other than the business which is being conducted on the date hereof, wind up its business operations or cease substantially all, or any material portion, of its normal business operations, or suffer any material disruption, interruption or discontinuance of a material portion of its normal business operations except as permitted in Section 8(a);

(p) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to any Indebtedness that is contractually subordinated to Agent, including the Subordinated Debt, in violation of the applicable subordination or intercreditor agreement;

(q) pay or make any payments with respect to the HHG Note unless permitted by the terms and conditions of the HHG Subordination Agreement;

(r) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to the Term Loan Facility other than (i) regularly scheduled payments of principal and interest and mandatory prepayments permitted by the Intercreditor Agreement, and (ii) voluntary prepayments pursuant to the Term Loan Side Letter Agreement but only to the extent funded by capital contributions made by Ultimate Parent and Investment Corp. to Holdings;

(s) enter into any transaction involving an amount greater than $100,000 with an Affiliate or any employee of any Loan Party Obligor or Affiliate other than (i) on arms-length terms, (ii) payment of reasonable compensation to officers and employees for services actually rendered, and payment of customary directors' fees and indemnities, (iii) intercompany purchases and sales, and (iv) as otherwise disclosed to Agent in writing prior to the date hereof;

(t) change its jurisdiction of organization or enter into any transaction which has the effect of changing its jurisdiction of organization except as provided for in Section 7.8 and Section 8.1(a);

(u) agree, consent, permit or otherwise undertake to amend or otherwise modify any of the terms or provisions of any Loan Party's Governing Documents, except for such amendments or other modifications required by applicable law or that are not materially adverse to Agent and Lenders, and then, only to the extent such amendments or other modifications are fully disclosed in writing to Agent no less than five Business Days prior to being effectuated;

(v) enter into or assume any agreement prohibiting the creation or assumption of any Lien to secure the Obligations upon its properties or assets, whether now owned or hereafter acquired, except in connection with any document or instrument governing Liens permitted pursuant to clause (a) of the definition of Permitted Liens provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien and with respect to Excluded Property;

(w) create or otherwise cause or suffer to exist or become effective any encumbrance or restriction (other than any Loan Documents or Term Loan Documents, as permitted by the Intercreditor Agreement) of any kind on the ability of any such Person to pay or make any dividends or distributions to any Borrower, to pay any of the Obligations, to make loans or advances or to transfer any of its property or assets to any Borrower;

(x) agree, consent, permit or otherwise undertake to amend, waive or otherwise modify any of the terms or provisions of any Subordinated Debt Document in violation of the Subordinated Debt Subordination Agreement;

(y) agree, consent, permit or otherwise undertake to amend, waive or otherwise modify any of the terms or provisions of any HHG Note in violation of the HHG Note Subordination Agreement;

(z) become party to any Multiemployer Plan, Canadian Multi-Employer Plan, Foreign Plan or Canadian Defined Benefit Pension Plan, other than any in existence on the Closing Date or maintain, contribute or have any liability in respect of, or acquire any Person that maintains, contributes or has any liability in respect of, a Canadian Pension Plan or Canadian Multi-Employer Plan or a Canadian Defined Benefit Pension Plan during the term of this Agreement;

(aa) amend, modify, change, waive, or obtain any consent, waiver or forbearance with respect to, any of the terms or provisions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Term Loan Obligations (including the Term Loan Documents) except to the extent permitted by the Intercreditor Agreement; or

(bb) sell inventory or product to the cannabis/marijuana industry, advertise to the cannabis/marijuana industry (including any direct cannabis trade or social media advertising); provided that nothing in this Section 8(z) shall restrict (i) Borrowers' selling or advertising to the hemp industry or (ii) Borrowers' employees attending and participating in cannabis/marijuana industry conferences/events in a manner that does not include selling or advertising.

(cc) pay or make any payments (whether voluntary or mandatory, or a prepayment, distribution, redemption, retirement, defeasance or acquisition) with respect to the Asset Acquisition Earnout Obligations.

**9. FINANCIAL COVENANTS**. Each Loan Party Obligor shall at all times comply with the following Financial Covenants:

~~**9.1. Fixed Charge Coverage Ratio/ Minimum Excess Availability**. Borrowers shall not permit Excess Availability at any time following the Availability Block Release Date to be less than the Minimum Excess Availability Amount, unless as of the last day of the most recent month for which the monthly financial statements of Borrowers and the related Compliance Certificate are required to have been delivered to Agent pursuant to Section 7.15, the Fixed Charge Coverage Ratio for the applicable FCCR Measurement Period then ended is greater than 1:05 to 1:00.~~

**9.1. Reserved..**

**9.2. Capital Expenditure Limitation**. The Loan Parties shall not make any Capital Expenditures if, after giving effect to such Capital Expenditures, the aggregate cost of all Capital Expenditures of the Loan Parties would exceed $500,000 during Fiscal Year 2019 and $750,000 annually during any subsequent Fiscal Year.

**10. RELEASE, LIMITATION OF LIABILITY AND INDEMNITY.**

**10.1. Release**. Each Borrower and each other Loan Party Obligor on behalf of itself and its successors, assigns, heirs and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender and any and all Participants and Affiliates, and their respective successors and assigns, and their respective directors, members, managers, officers, employees, attorneys and agents, including each Agent-Related Person, and any other Person affiliated with or representing Agent or any Lender (collectively, the "***Released Parties***") of and from any and all liability, including all actual or potential claims, demands or causes of action of any kind, nature or description whatsoever, whether arising in law or equity or under contract or tort or under any state, provincial or federal law or otherwise, which any Borrower or any Loan Party or any of their successors, assigns or other legal representatives has had, now has or has made claim to have against any of the Released Parties for or by reason of any act, omission, matter, cause or thing whatsoever, including any liability arising from acts or omissions pertaining to the transactions contemplated by this Agreement and the other Loan Documents, whether based on errors of judgment or mistake of law or fact, from the beginning of time to and including the Closing Date, whether such claims, demands and causes of action are matured or known or unknown. Notwithstanding any provision in this Agreement to the contrary, this Section 10.1 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans. Such release is made on the date hereof and remade upon each request for a Loan by any Borrower or Borrower Representative.

**10.2. Limitation of Liability**. In no circumstance will any of the Released Parties be liable for lost profits or other special, punitive, or consequential damages. Notwithstanding any provision in this Agreement to the contrary, this Section 10.2 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**10.3. Indemnity**.

(a) Each Loan Party Obligor hereby agrees to indemnify the Released Parties and hold them harmless from and against any and all claims, debts, liabilities, demands, obligations, actions, causes of action, penalties, costs and expenses (including internal and external attorneys' fees), of every nature, character and description, which the Released Parties may sustain or incur based upon or arising out of any of the transactions contemplated by this Agreement or any other Loan Documents or any of the Obligations, any Collateral relating thereto, any drafts thereunder and any errors or omissions relating thereto, or any other matter, cause or thing whatsoever occurred, done, omitted or suffered to be done by Agent or any Lender relating to any Loan Party or the Obligations (except any such amounts sustained or incurred solely as the result of the gross negligence or willful misconduct of such Released Parties, as finally determined by a court of competent jurisdiction and except for disputes among the Released Parties). Notwithstanding any provision in this Agreement to the contrary, this Section 10.3 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

(b) To the extent that any Loan Party Obligor fails to pay any amount required to be paid by it to Agent (or any Released Party of Agent) under paragraph (a) above, each Lender severally agrees to pay to Agent (or such Released Party), such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (it being understood that any such payment by the Lenders shall not relieve any Loan Party of any default in the payment thereof); provided that the unreimbursed expense or indemnified loss, claim, damage, penalty, liability or related expense, as the case may be, was incurred by or asserted against Agent in its capacity as such.

**11. EVENTS OF DEFAULT AND REMEDIES.**

**11.1. Events of Default**. The occurrence of any of the following events shall constitute an "***Event of Default***":

(a) **Payment**. If any Loan Party Obligor or any Other Obligor fails to pay to Agent, when due, any principal or interest payment or any other monetary Obligation required under this Agreement or any other Loan Document;

(b) **Breaches of Representations and Warranties**. If any warranty, representation, statement, report or certificate made or delivered to Agent or any Lender by or on behalf of any Loan Party or any Other Obligor is untrue or misleading in any material respect on the date made or deemed made (except where such warranty or representation is already qualified by Material Adverse Effect, materiality, dollar thresholds or similar qualifications, in which case such warranty or representation shall be accurate in all respects);

(c) **Breaches of Covenants**.

(i) If any Loan Party or any Other Obligor defaults in the due observance or performance of any covenant, condition or agreement contained in Section 5.2, 6.1, 6.6, 6.7, 7.2 (limited to the last sentence of Section 7.2), 7.3, 7.7, 7.8, 7.11(c), 7.13, 7.14, 7.15, 7.23, 7.25, 7.26, 7.27, 7.30, 7.31, 7.32, 8 or 9; or

(ii) If any Loan Party or any Other Obligor defaults in the due observance or performance of any covenant, condition or agreement contained in any provision of this Agreement or any other Loan Document and not addressed in clauses Sections 11.1(a), (b) or (c)(i), and such default is not cured within 30 days after a senior officer of such Obligor has knowledge thereof or receives notice thereof from Agent, whichever is sooner; provided, however, that such notice and opportunity to cure shall not apply if the breach or failure to perform is not capable of being cured within such period or is a willful breach by an Obligor;

(d) **Judgment**. If one or more judgments aggregating in excess of $500,000 which is not covered by insurance is obtained against any Loan Party or any Other Obligor which remains unstayed for more than thirty (30) days or is enforced;

(e) **Cross-Default**. If any default occurs with respect to any Indebtedness in the amount of $500,000 or more (other than the Obligations, the Term Loan Facility, the HHG Note or the Subordinated Debt) of any Loan Party or any Other Obligor if (i) such default shall consist of the failure to pay such Indebtedness when due, whether by acceleration or otherwise or (ii) the effect of such default is to permit the holder, with or without notice or lapse of time or both, to accelerate the maturity of any such Indebtedness or to cause such Indebtedness to become due prior to the stated maturity thereof (without regard to the existence of any subordination or intercreditor agreements);

(f) **Dissolution**. The dissolution, termination of existence, insolvency or business failure or suspension or cessation of business as usual of any Loan Party or any Other Obligor (or of any general partner of any Loan Party or any Other Obligor if it is a partnership), except as permitted pursuant to the terms hereof;

(g) **Voluntary Bankruptcy or Similar Proceedings**. If any Loan Party or any Other Obligor shall apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of it or any of its properties, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or be the subject of an order for relief under the Bankruptcy Code or under any bankruptcy or insolvency law of a foreign jurisdiction, or file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or take or permit to be taken any action in furtherance of or for the purpose of effecting any of the foregoing;

(h) **Involuntary Bankruptcy or Similar Proceedings**. The commencement of an involuntary case or other proceeding against any Loan Party or any Other Obligor seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar applicable law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or if an order for relief is entered against any Loan Party or any Other Obligor under any bankruptcy, insolvency or other similar applicable law as now or hereafter in effect; ***provided***, that if such commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such proceedings are not dismissed within sixty (60) days after the commencement of such proceedings, though Agent and Lenders shall have no obligation to make Loans during such sixty-day period or, if earlier, until such proceedings are dismissed;

(i) **Revocation or Termination of Guaranty or Security Documents**. The actual or attempted revocation or termination of, or limitation or denial of liability under, any guaranty of any of the Obligations, or any security document securing any of the Obligations, by any Loan Party or Other Obligor;

(j) **Subordinated Indebtedness**. If any Loan Party or Other Obligor makes any payment on account of the Subordinated Debt, the HHG Note or any Indebtedness or obligation which has been contractually subordinated to the Obligations other than payments which are not prohibited by the applicable subordination provisions pertaining thereto, or if any Person who has subordinated such Indebtedness or obligations attempts to limit or terminate any applicable subordination provisions pertaining thereto, in each case, including the Subordinated Debt Subordination Agreement and the HHG Note Subordination Agreement;

(k) **Term Loan Facility**. A Default or Event of Default (as such terms are defined in the Term Loan Documents) occurs with respect to the Term Loan Facility or the occurrence of any condition or event that results in the Term Loan Obligations becoming due prior to its scheduled maturity as of the Closing Date or permits any holder or holders of the Term Loan Obligations or any trustee or agent on its or their behalf to cause the Term Loan Obligations to become due, or require the prepayment, repurchase, redemption of defeasance thereof, prior to its scheduled maturity as of the Closing Date.

(l) **Criminal Indictment or Proceedings**. If there is any indictment of any Loan Party, any Loan Party's officers, any Other Obligor or any Other Obligor's officers under any criminal statute or commencement of criminal proceedings against any such Person relating to the business affairs of the Loan Parties;

(m) **Change of Control**. If (i) the Sponsor Group shall cease to directly or indirectly own and control, beneficially and of record, Equity Interests of Ultimate Parent representing at least 50.1% of the voting power and at least 50.1% of the economic interest represented by the outstanding equity interests of Ultimate Parent Inc. held by the Sponsor Group as of March 15, 2019; (ii) the Control Group shall cease, for any reason, to have, collectively, the right or ability by voting power, contract or otherwise to, directly or indirectly, elect or designate for election a majority (in number and in voting power) of the members of the board of directors, board of managers or similar governing body of Ultimate Parent, (iii) Ultimate Parent becomes a direct or indirect Subsidiary of any Person, (iv) Ultimate Parent ceases to, directly or indirectly, own and control all of the outstanding equity interests of Investment Corp. and Holdings on a fully diluted basis, (v) Holdings ceases to, directly or indirectly, own and control all of the outstanding equity interests of each other Loan Party Obligor on a fully diluted basis, or (vi) any "change of control" (or similar term) under the Term Loan Facility, the Term Loan Documents or any Subordinated Debt, while outstanding, shall have occurred;

(n) **Change of Management**. If Bill Toler ceases to be employed as, and actively perform the duties of, the chief executive officer of each Loan Party, unless a successor is appointed within ninety (90) days after the termination of such individual's employment and such successor is reasonably satisfactory to Agent;

(o) **Invalid Liens**. If any Lien purported to be created by any Loan Document shall cease to be a valid perfected first priority Lien (subject only to any priority accorded by law to Permitted Liens) on any material portion of the Collateral, or any Loan Party or any other Obligor shall assert in writing that any Lien purported to be created by any Loan Document is not a valid perfected first-priority lien (subject only to any priority accorded by law to Permitted Liens) on the assets or properties purported to be covered thereby;

(p) **Termination of Loan Documents**. If any of the Loan Documents shall cease to be in full force and effect (other than as a result of the discharge thereof in accordance with the terms thereof or by written agreement of all parties thereto);

(q) **Liquidation Sales**. The determination by any Loan Party to employ an agent or other third party or otherwise engage any Person or solicit proposals for the engagement of any Person (i) in connection with the proposed liquidation of all or a material portion of its assets, or (ii) to conduct any so-called closing, liquidation or "GoingOutOfBusiness" sales;

(r) **Loss of Collateral**. The (i) uninsured loss, theft, damage or destruction of any of the Collateral, (ii) the uninsured loss, theft, damage or destruction of any of the ABL Priority Collateral in an amount in excess of $250,000 in the aggregate for all such events during any Fiscal Year, or (iii) except as permitted hereby, the sale, lease or furnishing under a contract of service of, any of the ABL Priority Collateral.

(s) **Plans**. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party or any Subsidiary under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $250,000, (ii) the existence of any Lien under Section 430(k) or Section 6321 of the Code or Section 303(k) or Section 4068 of ERISA on any assets of a Loan Party, or (iii) a Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $250,000.

**11.2. Remedies with Respect to Lending Commitments/Acceleration, Etc**. Upon the occurrence of an Event of Default, Agent may (in its sole discretion), or at the direction of Required Lenders, shall, (a) terminate all or any portion of its commitment to lend to or extend credit to Borrowers under this Agreement and/or any other Loan Document, without prior notice to any Loan Party and/or (b) demand payment in full of all or any portion of the Obligations (whether or not payable on demand prior to such Event of Default), together with the Early Payment/Termination Premium in the amount specified in Section 3.2(e) and/or (c) take any and all other and further actions and avail itself of any and all rights and remedies available to Agent under this Agreement, any other Loan Document, under law or in equity. Notwithstanding the foregoing sentence, upon the occurrence of any Event of Default described in Section 11.1(g) or Section 11.1(h), without notice, demand or other action by Agent all of the Obligations (including the Early Payment/Termination Premium in the amount specified in Section 3.2(e)) shall immediately become due and payable whether or not payable on demand prior to such Event of Default.

**11.3. Remedies with Respect to Collateral**. Without limiting any rights or remedies Agent or any Lender may have pursuant to this Agreement, the other Loan Documents, under applicable law or otherwise, upon the occurrence and during the continuation of an Event of Default:

(a) **Any and All Remedies**. Agent may take any and all actions and avail itself of any and all rights and remedies available to Agent under this Agreement, any other Loan Document, under law or in equity, and the rights and remedies herein and therein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable law or otherwise.

(b) **Collections; Modifications of Terms**. Agent may, but shall be under no obligation to: (i) notify all appropriate parties that the Collateral, or any part thereof, has been assigned to, or is subject to a security interest in favor of, Agent; (ii) demand, sue for, collect and give receipts for and take all necessary or desirable steps to collect any Collateral or Proceeds in its or any Loan Party Obligor's name, and apply any such collections against the Obligations as Agent may elect; (iii) take control of any Collateral and any cash and non-cash Proceeds of any Collateral; (iv) enforce, compromise, extend, renew settle or discharge any rights or benefits of each Loan Party Obligor with respect to or in and to any Collateral, or deal with the Collateral as Agent may deem advisable; and (v) make any compromises, exchanges, substitutions or surrenders of Collateral Agent deems necessary or proper in its reasonable discretion, including extending the time of payment, permitting payment in installments, or otherwise modifying the terms or rights relating to any of the Collateral, all of which may be effected without notice to, consent of, or any other action of any Loan Party and without otherwise discharging or affecting the Obligations, the Collateral or the security interests granted to Agent under this Agreement or any other Loan Document.

(c) **Insurance**. Agent may file proofs of loss and claim with respect to any of the Collateral with the appropriate insurer and may endorse in its own and each Loan Party Obligor's name any checks or drafts constituting Proceeds of insurance. Any Proceeds of insurance received by Agent may be applied by Agent against payment of all or any portion of the Obligations as Agent may elect in its reasonable discretion.

(d) **Possession and Assembly of Collateral**. Agent may take possession of the Collateral. Upon Agent's request, each Loan Party Obligor shall assemble the Collateral and make it available to Agent at one or more places designated by Agent.

(e) **Set-off**. Agent may and, without any notice to, consent of or any other action by any Loan Party (such notice, consent or other action being expressly waived), set-off or apply (i) any and all deposits (general or special, time or demand, provisional or final) at any time held by or for the account of Agent or any Affiliate of Agent and (ii) any Indebtedness at any time owing by Agent or any Affiliate of Agent or any Participant in the Loans to or for the credit or the account of any Loan Party Obligor to the repayment of the Obligations, irrespective of whether any demand for payment of the Obligations has been made.

(f) **Disposition of Collateral**.

(i) ***Sale, Lease, etc. of Collateral***. Agent may, without demand, advertising or notice, all of which each Loan Party Obligor hereby waives (except as the same may be required by the UCC, PPSA, or other applicable law and is not waivable under the UCC, PPSA or such other applicable law), at any time or times in one or more public or private sales or other dispositions, for cash, on credit or otherwise, at such prices and upon such terms as determined by Agent (provided such price and terms are commercially reasonable within the meaning of the UCC or PPSA, as applicable, to the extent such sale or other disposition is subject to the UCC or PPSA requirements that such sale or other disposition must be commercially reasonable), (A) sell, lease, license or otherwise dispose of any and all Collateral and/or (B) deliver and grant options to a third party to purchase, lease, license or otherwise dispose of any and all Collateral. Agent may sell, lease, license or otherwise dispose of any Collateral in its then-present condition or following any preparation or processing deemed necessary by Agent in its reasonable discretion. Agent may be the purchaser at any such public or private sale or other disposition of Collateral, and in such case, Agent may make payment of all or any portion of the purchase price therefor by the application of all or any portion of the Obligations due to Agent to the purchase price payable in connection with such sale or disposition. Agent may, if it deems it reasonable, postpone or adjourn any sale or other disposition of any Collateral from time to time by an announcement at the time and place of the sale or disposition to be so postponed or adjourned without being required to give a new notice of sale or disposition; provided, that Agent shall provide the applicable Loan Party Obligor with written notice of the time and place of such postponed or adjourned sale or disposition. Each Loan Party Obligor hereby acknowledges and agrees that Agent's compliance with any requirements of applicable law in connection with a sale, lease, license or other disposition of Collateral will not be considered to adversely affect the commercial reasonableness of any sale, lease, license or other disposition of such Collateral.

(ii) ***Deficiency***. Each Loan Party Obligor shall remain liable for all amounts of the Obligations remaining unpaid as a result of any deficiency of the Proceeds of the sale, lease, license or other disposition of Collateral after such Proceeds are applied to the Obligations as provided in this Agreement.

(iii) ***Warranties; Sales on Credit***. Agent may sell, lease, license or otherwise dispose of the Collateral without giving any warranties and may specifically disclaim any and all warranties, including but not limited to warranties of title, possession, merchantability and fitness. Each Loan Party Obligor hereby acknowledges and agrees that Agent's disclaimer of any and all warranties in connection with a sale, lease, license or other disposition of Collateral will not be considered to adversely affect the commercial reasonableness of any such disposition of the Collateral. If Agent sells, leases, licenses or otherwise disposes of any of the Collateral on credit, Borrowers will be credited only with payments actually made in cash by the recipient of such Collateral and received by Agent and applied to the Obligations. If any Person fails to pay for Collateral acquired pursuant this Section 11.3(f) on credit, Agent may re-offer the Collateral for sale, lease, license or other disposition.

(g) **Investment Property; Voting and Other Rights; Irrevocable Proxy**.

(i) All rights of each Loan Party Obligor to exercise any of the voting and other consensual rights which it would otherwise be entitled to exercise in accordance with the terms hereof with respect to any Investment Property, and to receive any dividends, payments, and other distributions which it would otherwise be authorized to receive and retain in accordance with the terms hereof with respect to any Investment Property, shall immediately, at the election of Control Agent (without requiring any notice) cease, and all such rights shall thereupon become vested solely in Control Agent, and Control Agent (personally or through an agent) shall thereupon be solely authorized and empowered, without notice, to (A) transfer and register in its name, or in the name of its nominee, the whole or any part of the Investment Property, it being acknowledged by each Loan Party Obligor that any such transfer and registration may be effected by Control Agent through its irrevocable appointment as attorney-in-fact pursuant to Section 11.3(g)(ii) and Section 6.4, (B) exchange certificates or instruments representing or evidencing Investment Property for certificates or instruments of smaller or larger denominations, (C) exercise the voting and all other rights as a holder with respect to all or any portion of the Investment Property (including all economic rights, all control rights, authority and powers, and all status rights of each Loan Party Obligor as a member or as a shareholder (as applicable) of the Issuer), (D) collect and receive all dividends and other payments and distributions made thereon, (E) notify the parties obligated on any Investment Property to make payment to Control Agent of any amounts due or to become due thereunder, (F) endorse instruments in the name of each Loan Party Obligor to allow collection of any Investment Property, (G) enforce collection of any of the Investment Property by suit or otherwise, and surrender, release, or exchange all or any part thereof, or compromise or renew for any period (whether or not longer than the original period) any liabilities of any nature of any Person with respect thereto, (H) consummate any sales of Investment Property or exercise any other rights as set forth in Section 11.3(f), (I) otherwise act with respect to the Investment Property as though Control Agent was the outright owner thereof and (J) exercise any other rights or remedies Control Agent may have under the UCC, PPSA, other applicable law or otherwise.

(ii) EACH LOAN PARTY OBLIGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS CONTROL AGENT AS ITS PROXY AND ATTORNEY-IN- FACT FOR SUCH LOAN PARTY OBLIGOR WITH RESPECT TO ALL OF EACH SUCH LOAN PARTY OBLIGOR'S INVESTMENT PROPERTY WITH THE RIGHT, DURING THE CONTINUANCE OF AN EVENT OF DEFAULT, WITHOUT NOTICE, TO TAKE ANY OF THE FOLLOWING ACTIONS: (A) TRANSFER AND REGISTER IN AGENT'S NAME, OR IN THE NAME OF ITS NOMINEE, THE WHOLE OR ANY PART OF THE INVESTMENT PROPERTY, (B) VOTE THE PLEDGED EQUITY, WITH FULL POWER OF SUBSTITUTION TO DO SO, (C) RECEIVE AND COLLECT ANY DIVIDEND OR ANY OTHER PAYMENT OR DISTRIBUTION IN RESPECT OF, OR IN EXCHANGE FOR, THE INVESTMENT PROPERTY OR ANY PORTION THEREOF, TO GIVE FULL DISCHARGE FOR THE SAME AND TO INDORSE ANY INSTRUMENT MADE PAYABLE TO ANY LOAN PARTY OBLIGOR FOR THE SAME, (D) EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES, AND REMEDIES (INCLUDING ALL ECONOMIC RIGHTS, ALL CONTROL RIGHTS, AUTHORITY AND POWERS, AND ALL STATUS RIGHTS OF EACH LOAN PARTY OBLIGOR AS A MEMBER OR AS A SHAREHOLDER (AS APPLICABLE) OF THE ISSUER) TO WHICH A HOLDER OF THE PLEDGED COLLATERAL WOULD BE ENTITLED (INCLUDING, WITH RESPECT TO THE PLEDGED EQUITY, GIVING OR WITHHOLDING WRITTEN CONSENTS OF MEMBERS OR SHAREHOLDERS, CALLING SPECIAL MEETINGS OF MEMBERS OR SHAREHOLDERS, AND VOTING AT SUCH MEETINGS), AND (E) TAKE ANY ACTION AND TO EXECUTE ANY INSTRUMENT WHICH AGENT MAY DEEM NECESSARY OR ADVISABLE TO ACCOMPLISH THE PURPOSES OF THIS AGREEMENT. THE APPOINTMENT OF CONTROL AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE VALID AND IRREVOCABLE UNTIL (x) ALL OF THE OBLIGATIONS HAVE BEEN INDEFEASIBLY PAID IN FULL IN CASH IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, (y) CONTROL AGENT AND THE LENDERS HAVE NO FURTHER OBLIGATIONS UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, AND (z) THE COMMITMENTS UNDER THIS AGREEMENT HAVE EXPIRED OR HAVE BEEN TERMINATED (IT BEING UNDERSTOOD AND AGREED THAT SUCH OBLIGATIONS WILL BE AUTOMATICALLY REINSTATED IF AT ANY TIME PAYMENT, IN WHOLE OR IN PART, OF ANY OF THE OBLIGATIONS IS RESCINDED OR MUST OTHERWISE BE RESTORED OR RETURNED BY CONTROL AGENT OR ANY LENDER FOR ANY REASON WHATSOEVER, INCLUDING AS A PREFERENCE, FRAUDULENT CONVEYANCE, OR OTHERWISE UNDER ANY BANKRUPTCY, INSOLVENCY, OR SIMILAR LAW, ALL AS THOUGH SUCH PAYMENT HAD NOT BEEN MADE; IT BEING FURTHER UNDERSTOOD THAT IN THE EVENT PAYMENT OF ALL OR ANY PART OF THE OBLIGATIONS IS RESCINDED OR MUST BE RESTORED OR RETURNED, ALL REASONABLE OUT-OF-POCKET COSTS AND EXPENSES (INCLUDING ALL REASONABLE INTERNAL AND EXTERNAL ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY CONTROL AGENT AND THE LENDERS IN DEFENDING AND ENFORCING SUCH REINSTATEMENT SHALL HEREBY BE DEEMED TO BE INCLUDED AS A PART OF THE OBLIGATIONS). SUCH APPOINTMENT OF CONTROL AGENT AS PROXY AND AS ATTORNEY-IN-FACT SHALL BE VALID AND IRREVOCABLE AS PROVIDED HEREIN NOTWITHSTANDING ANY LIMITATIONS TO THE CONTRARY SET FORTH IN ANY GOVERNING DOCUMENTS OF ANY LOAN PARTY OBLIGOR, ANY ISSUER, OR OTHERWISE.

(iii) In order to further effect the foregoing transfer of rights in favor of Control Agent, during the continuance of an Event of Default, each Loan Party Obligor hereby authorizes and instructs each Issuer of Investment Property pledged by such Loan Party Obligor to comply with any instruction received by such Issuer from Control Agent without any other or further instruction from such Loan Party Obligor, and each Loan Party Obligor acknowledges and agrees that each Issuer shall be fully protected in so complying, and to pay any dividends, distributions, or other payments with respect to any of the Investment Property directly to Control Agent.

(iv) Upon exercise of the proxy set forth herein, all prior proxies given by any Loan Party Obligor with respect to any of the Pledged Equity or other Investment Property, other than to Control Agent, are hereby revoked, and no subsequent proxies, other than to Control Agent will be given with respect to any of the Pledged Equity or any of the other Investment Property unless Control Agent otherwise subsequently agrees in writing. Control Agent, as proxy, will be empowered and may exercise the irrevocable proxy to vote the Pledged Equity and the other Investment Property at any and all times during the existence of an Event of Default, including, at any meeting of shareholders or members, as the case may be, however called, and at any adjournment thereof, or in any action by written consent, and may waive any notice otherwise required in connection therewith. To the fullest extent permitted by applicable law, Control Agent shall have no agency, fiduciary or other implied duties to any Loan Party Obligor, any Issuer, any Loan Party or any other Person when acting in its capacity as such proxy or attorney-in-fact. Each Loan Party Obligor hereby waives and releases any claims that it may otherwise have against Control Agent with respect to any breach, or alleged breach, of any such agency, fiduciary or other duty.

(v) Any transfer to Control Agent or its nominee, or registration in the name of Agent or its nominee, of the whole or any part of the Investment Property shall be made solely for purposes of effectuating voting or other consensual rights with respect to the Investment Property in accordance with the terms of this Agreement and is not intended to effectuate any transfer of ownership of any of the Investment Property. Notwithstanding the delivery by Control Agent of any instruction to any Issuer or any exercise by Control Agent of an irrevocable proxy or otherwise, Control Agent shall not be deemed the owner of, or assume any obligations or any liabilities whatsoever of the owner or holder of, any Investment Property unless and until Agent expressly accepts such obligations in a duly authorized and executed writing and agrees in writing to become bound by the applicable Governing Documents or otherwise becomes the owner thereof under applicable law (including through a sale as described in Section 11.3(f)). The execution and delivery of this Agreement shall not subject Control Agent to, or transfer or pass to Control Agent, or in any way affect or modify, the liability of any Loan Party Obligor under the Governing Documents of any Issuer or any related agreements, documents, or instruments or otherwise. In no event shall the execution and delivery of this Agreement by Control Agent, or the exercise by Control Agent of any rights hereunder or assigned hereby, constitute an assumption of any liability or obligation whatsoever of any Loan Party Obligor to, under, or in connection with any of the Governing Documents of any Issuer or any related agreements, documents, or instruments or otherwise.

(vi) Compliance with the Securities Act as now in effect or as hereafter amended, or any similar statute hereafter adopted with similar purpose or effect, as well as any applicable "Blue Sky" or other state securities laws, if applicable to the Collateral or the portion thereof being sold, may require strict limitations as to the manner in which the Control Agent or any subsequent transferee may dispose of the Collateral. With respect to any disposition as to which the Securities Act or analogous state securities laws is applicable, each Loan Party Obligor hereby waives any objection to sale in a compliant manner, and agrees that the Control Agent has no obligation to obtain the maximum possible price for the Collateral so long as the Agent proceeds in a commercially reasonable manner. Without limiting the generality of the foregoing, each Loan Party Obligor agrees that in conducting a disposition of the Collateral as to which the Securities Act or analogous state securities laws applies, Control Agent may seek to sell the Collateral by private placement, and may restrict bidders and prospective purchasers to those who are willing to represent that they are purchasing for investment only and not for distribution and who otherwise satisfy qualifications designed to ensure compliance with the Securities Act and analogous state securities laws and those that may be established in the Issuer's Governing Documents. Each Loan Party Obligor acknowledges that in order to protect Control Agent's interest, it may be necessary to sell the Collateral at a price less than the maximum price attainable if a sale were delayed or were made in another manner, including a public offering under the Securities Act. In order to address these potential compliance requirements, Control Agent may solicit offers to purchase the Collateral from a limited number of bidders reasonably believed by Control Agent to be institutional investors or accredited investors. If Agent solicits offers in a commercially reasonable manner, then acceptance by Control Agent of one or more of the offers shall be deemed to be a commercially reasonable method of disposition of the Collateral and Control Agent will not be responsible or liable for selling all or any portion of the Collateral at a price that Control Agent deems in good faith to be reasonable. Control Agent is under no obligation to delay a disposition of any portion of the Collateral that are securities under the Securities Act or applicable "Blue Sky" or other state securities law for the period of time necessary to permit any Loan Party Obligor or the Issuer to register the securities for public sale under the Securities Act or under applicable "Blue Sky" or other state securities laws, even if a Loan Party Obligor or the Issuer agrees to do so. In addition, to the extent not prohibited by applicable law, each Loan Party Obligor waives any right to prior notice (except to the extent expressly provided in this Agreement) or judicial hearing in connection with the taking possession or the disposition of any of the Collateral, including any right which Loan Party Obligor otherwise would have.

(vii) To the extent permitted under applicable law, Control Agent is not required to conduct any foreclosure sale of the Investment Property or any portion thereof.

(viii) Control Agent, at its option, may obtain the appointment of a receiver to take possession of the Investment Property and, at the option of Control Agent, a receiver may be empowered (i) to collect, receive and enforce all distributions, (ii) to exercise the rights of Control Agent as provided in this Agreement, (iii) to collect all other amounts owed to any Loan Party Obligor in respect of the Investment Property as and when due to any Loan Party Obligor, (iv) to otherwise collect, sell or dispose of the Investment Property, (v) to exercise all rights in and under the Investment Property; and (vi) to turn over all net proceeds to Control Agent. Each Loan Party Obligor irrevocably and unconditionally agrees that a receiver may be appointed by a court to take the actions listed above without regard to the adequacy of the security for the Obligations, and the actions of the receiver may be taken in the name of the receiver, any Loan Party Obligor or Control Agent.

(ix) Control Agent may elect to conduct a sale of an economic interest in any Investment Property constituting limited liability company interests that does not result in the purchaser being admitted as a substitute limited liability company member in the Issuer, and that any sale or dispositions made in good faith will be considered commercially reasonable, notwithstanding the possibility that a substantially higher price might be realized if the purchaser were able to be admitted as a substitute limited liability company member rather than the holder of only an economic interest in the Issuer.

(x) Control Agent may disclose to prospective purchasers all of the information relating to the Investment Property (and the applicable Issuer) that is in the Agent's possession or otherwise available to the Control Agent.

(xi) Each Loan Party Obligor hereby authorizes and instructs their respective Issuer to comply with any instruction received by it from Control Agent in writing that (i) states that an Event of Default has occurred and is continuing and (ii) is otherwise in accordance with the terms of the provisions of the this Agreement, the Loan documents or Term Loan Documents as to Investment Property, without any other or further instructions from the respective Loan Party Obligor, and such Loan Party Obligor agrees that Issuer be fully protected in so complying.

(h) **Election of Remedies.** Agent shall have the right in Agent's sole discretion to determine which rights, security, Liens or remedies Agent may at any time pursue, foreclose upon, relinquish, subordinate, modify or take any other action with respect to, without in any way impairing, modifying or affecting any of Agent's other rights, security, Liens or remedies with respect to any Collateral or any of Agent's rights or remedies under this Agreement or any other Loan Document.

(i) **Agent's Obligations.** Each Loan Party Obligor agrees that Agent shall not have any obligation to preserve rights to any Collateral against prior parties or to marshal any Collateral of any kind for the benefit of any other creditor of any Loan Party Obligor or any other Person. Agent shall not be responsible to any Loan Party Obligor or any other Person for loss or damage resulting from Agent's failure to enforce its Liens or collect any Collateral or Proceeds or any monies due or to become due under the Obligations or any other liability or obligation of any Loan Party Obligor to Agent.

(j) **Waiver of Rights by Loan Party Obligors.** Except as otherwise expressly provided for in this Agreement or by non-waivable applicable law, each Loan Party waives (i) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Loan Party Obligor may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (ii) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing Agent to exercise any of its remedies and (iii) the benefit of all valuation, appraisal, marshaling and exemption laws. If any notice of a proposed sale or other disposition of any part of the Collateral is required under applicable law, each Loan Party Obligor agrees that ten (10) calendar days prior notice of the time and place of any public sale and of the time after which any private sale or other disposition is to be made is commercially reasonable.

**12. LOAN GUARANTY.**

**12.1. Guaranty**. Each Loan Party Obligor hereby agrees that it is jointly and severally liable for, and absolutely and unconditionally guaranties to Agent, for the ratable benefit of the Lenders, the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, all of the Obligations and all costs and expenses, including all court costs and attorneys' and paralegals' fees (including internal and external counsel and paralegals) and expenses of Agent or any Lender in endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, any Borrower, any Loan Party Obligor or any Other Obligor of all or any part of the Obligations (and such costs and expenses paid or incurred shall be deemed to be included in the Obligations). Each Loan Party Obligor further agrees that the Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guaranty notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any branch or Affiliate of Agent that extended any portion of the Obligations.

**12.2. Guaranty of Payment**. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Party Obligor waives any right to require Agent to sue or otherwise take action against any Borrower, any other Loan Party Obligor, any Other Obligor, or any other Person obligated for all or any part of the Obligations, or otherwise to enforce its payment against any Collateral securing all or any part of the Obligations.

**12.3. No Discharge or Diminishment of Loan Guaranty**.

(a) Except as otherwise expressly provided for herein, the obligations of each Loan Party Obligor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of all of the Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of any Borrower or any Obligor; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Borrower or any Obligor or their respective assets or any resulting release or discharge of any obligation of any Borrower or any Obligor; or (iv) the existence of any claim, setoff or other rights which any Loan Party Obligor may have at any time against any Borrower, any Obligor, Agent, or any other Person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Loan Party Obligor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Borrower or any Obligor of the Obligations or any part thereof.

(c) Further, the obligations of any Loan Party Obligor hereunder shall not be discharged or impaired or otherwise affected by: (i) the failure of Agent to assert any claim or demand or to enforce any remedy with respect to all or any part of the Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Obligations; (iii) any release, non-perfection or invalidity of any indirect or direct security for all or any part of the Obligations or all or any part of any obligations of any Obligor; (iv) any action or failure to act by Agent with respect to any Collateral; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Party Obligor or that would otherwise operate as a discharge of any Loan Party Obligor as a matter of law or equity (other than the indefeasible payment in full in cash of all of the Obligations).

**12.4. Defenses Waived**. To the fullest extent permitted by applicable law, each Loan Party Obligor hereby waives any defense based on or arising out of any defense of any Loan Party Obligor or the unenforceability of all or any part of the Obligations from any cause, or the cessation from any cause of the liability of any Loan Party Obligor, other than the indefeasible payment in full in cash of all of the Obligations. Without limiting the generality of the foregoing, each Loan Party Obligor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Borrower, any Obligor, or any other Person. Each Loan Party Obligor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any Collateral, compromise or adjust any part of the Obligations, make any other accommodation with any Borrower or any Obligor or exercise any other right or remedy available to it against any Borrower or any Obligor, without affecting or impairing in any way the liability of any Loan Party Obligor under this Loan Guaranty except to the extent the Obligations have been fully and indefeasibly paid in cash. To the fullest extent permitted by applicable law, each Loan Party Obligor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Party Obligor against any Borrower or any Obligor or any security.

**12.5. Rights of Subrogation**. No Loan Party Obligor will assert any right, claim or cause of action, including a claim of subrogation, contribution or indemnification that it has against any Borrower or any Obligor, or any Collateral, until the Termination Date.

**12.6. Reinstatement; Stay of Acceleration**. If at any time any payment of any portion of the Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or any other Person, or otherwise, each Loan Party Obligor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not Agent is in possession of this Loan Guaranty. If acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Obligations shall nonetheless be payable by the Loan Party Obligors forthwith on demand by Agent. This Section 12.6 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

**12.7. Information**. Each Loan Party Obligor assumes all responsibility for being and keeping itself informed of each Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that each Loan Party Obligor assumes and incurs under this Loan Guaranty, and agrees that Agent shall not have any duty to advise any Loan Party Obligor of information known to it regarding those circumstances or risks.

**12.8.** **Termination**. To the maximum extent permitted by law, each Loan Party Obligor hereby waives any right to revoke this Loan Guaranty as to future Obligations. If such a revocation is effective notwithstanding the foregoing waiver, each Loan Party Obligor acknowledges and agrees that (a) no such revocation shall be effective until written notice thereof has been received by Agent, (b) no such revocation shall apply to any Obligations in existence on the date of receipt by Agent of such written notice (including any subsequent continuation, extension, or renewal thereof, or change in the interest rate, payment terms or other terms and conditions thereof), (c) no such revocation shall apply to any Obligations made or created after such date to the extent made or created pursuant to a legally binding commitment of Agent, (d) no payment by any Borrower, any other Loan Party Obligor, or from any other source, prior to the date of Agent's receipt of written notice of such revocation shall reduce the maximum obligation of any Loan Party Obligor hereunder and (e) any payment, by any Borrower or from any source other than a Loan Party Obligor which has made such a revocation, made subsequent to the date of such revocation, shall first be applied to that portion of the Obligations as to which the revocation is effective and which are not, therefore, guarantied hereunder, and to the extent so applied shall not reduce the maximum obligation of any Loan Party Obligor hereunder.

**12.9.** **Maximum Liability**. The provisions of this Loan Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Loan Party Obligor under this Loan Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Loan Party Obligor's liability under this Loan Guaranty, then, notwithstanding any other provision of this Loan Guaranty to the contrary, the amount of such liability shall, without any further action by the Loan Party Obligors, Agent or any Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Loan Party Obligor's "***Maximum Liability***"). This Section 12.9 with respect to the Maximum Liability of each Loan Party Obligor is intended solely to preserve the rights of Agent and the Lenders to the maximum extent not subject to avoidance under applicable law, and no Loan Party Obligor or any other Person shall have any right or claim under this Section with respect to such Maximum Liability, except to the extent necessary so that the obligations of any Loan Party Obligor hereunder shall not be rendered voidable under applicable law. Each Loan Party Obligor agrees that the Obligations may at any time and from time to time exceed the Maximum Liability of each Loan Party Obligor without impairing this Loan Guaranty or affecting the rights and remedies of Agent hereunder; provided, that nothing in this sentence shall be construed to increase any Loan Party Obligor's obligations hereunder beyond its Maximum Liability.

**12.10.** **Contribution**. In the event any Loan Party Obligor shall make any payment or payments under this Loan Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Loan Guaranty (such Loan Party Obligor a "***Paying Guarantor***"), each other Loan Party Obligor (each a "***Non-Paying Guarantor***") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "***Applicable Percentage***" of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Section 12.10, each Non-Paying Guarantor's "***Applicable Percentage***" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (x) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from any Borrower after the date hereof (whether by loan, capital infusion or by other means) to (y) the aggregate Maximum Liability of all Loan Party Obligors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Loan Party Obligor, the aggregate amount of all monies received by such Loan Party Obligors from any Borrower after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Loan Party Obligor's several liability for the entire amount of the Obligations (up to such Loan Party Obligor's Maximum Liability). Each of the Loan Party Obligors covenants and agrees that its right to receive any contribution under this Loan Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of all of the Obligations. This provision is for the benefit of Agent and the Lenders and the Loan Party Obligors and may be enforced by any one, or more, or all of them, in accordance with the terms hereof.

**12.11. Liability Cumulative**. The liability of each Loan Party Obligor under this Section 12 is in addition to and shall be cumulative with all liabilities of each Loan Party Obligor to Agent and the Lenders under this Agreement and the other Loan Documents to which such Loan Party Obligor is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

**12.12. Miscellaneous**. Each of the Loan Party Obligors hereby acknowledges and affirms that it understands that to the extent the Obligations are secured by Real Property located in California, Loan Party Obligors shall be liable for the full amount of the liability hereunder notwithstanding the foreclosure on such Real Property by trustee sale or any other reason impairing such Guarantor's right to proceed against any Loan Party. In accordance with Section 2856 of the California Civil Code or any similar laws of any other applicable jurisdiction, each of the Loan Party Obligors hereby waives until such time as the Obligations have been paid in full:

(1) all rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the Loan Party Obligors by reason of Sections 2787 to 2855, inclusive, 2899, and 3433 of the California Civil Code or any similar laws of any other applicable jurisdiction;

(2) all rights and defenses that the Loan Party Obligors may have because the Obligations are secured by Real Property located in California, meaning, among other things, that: (A) Agent and the other Lenders may collect from the Loan Party Obligors without first foreclosing on any real or personal property collateral pledged by any Borrower or any other Grantor, and (B) if Agent, on behalf of the Lenders, forecloses on any Real Property collateral pledged by any Borrower or any other Grantor, (1) the amount of the Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (2) the Agent and Lenders may collect from the Loan Party Obligors even if, by foreclosing on the Real Property collateral, Agent or the other Lenders have destroyed or impaired any right the Loan Party Obligors may have to collect from any other Grantor, it being understood that this is an unconditional and irrevocable waiver of any rights and defenses the Loan Party Obligors may have because the Obligations are secured by Real Property (including, without limitation, any rights or defenses based upon Sections 580a, 580d, or 726 of the California Code of Civil Procedure or any similar laws of any other applicable jurisdiction); and

(3) all rights and defenses arising out of an election of remedies by Agent or the other Lenders, even though that election of remedies, such as a non-judicial foreclosure with respect to security for the Obligations, has destroyed Loan Party Obligors' rights of subrogation and reimbursement against any Grantor by the operation of Section 580d of the California Code of Civil Procedure or any similar laws of any other applicable jurisdiction or otherwise.

The provisions in this Section 12.12 which refer to certain sections of the California Civil Code or the California Code of Civil Procedure are included in this Guaranty solely out of an abundance of caution and shall not be construed to mean that any of the above-referenced provisions of California law are in any way applicable to this Guaranty.

**13. PAYMENTS FREE OF TAXES; OBLIGATION TO WITHHOLD; PAYMENTS ON ACCOUNT OF TAXES.**

(a) Any and all payments by or on account of any obligation of the Loan Party Obligors hereunder or under any other Loan Document shall to the extent permitted by applicable laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable laws require the Loan Party Obligors to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such laws as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(b) If any Loan Party Obligor shall be required by applicable law to withhold or deduct any Taxes from any payment, then (i) such Loan Party Obligor shall withhold or make such deductions as are required based upon the information and documentation it has received pursuant to subsection (e) below, (ii) such Loan Party Obligor shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the applicable law and (iii) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Loan Party Obligors shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made. Upon request by Agent or other Recipient, Borrower Representative shall deliver to Agent or such other Recipient, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment of Indemnified Taxes, a copy of any return required by applicable law to report such payment or other evidence of such payment reasonably satisfactory to Agent or such other Recipient, as the case may be.

(c) Without limiting the provisions of subsections (a) and (b) above, the Loan Party Obligors shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(d) Without limiting the provisions of subsections (a) through (c) above, each Loan Party Obligor shall, and does hereby, on a joint and several basis, indemnify Agent, each Lender and each other Recipient (and their respective directors, officers, employees, affiliates and agents) and shall make payment in respect thereof within ten days after demand therefor, for the full amount of any Indemnified Taxes and Other Taxes (including Indemnified Taxes and Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid or incurred by Agent, any Lender or any other Recipient on account of, or in connection with any Loan Document or a breach by a Loan Party Obligor thereof, and any penalties, interest and related expenses and losses arising therefrom or with respect thereto (including the fees, charges and disbursements of any internal or external counsel or other tax advisor for Agent, any Lender or any other Recipient (or their respective directors, officers, employees, affiliates, and agents)), whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to Borrower Representative shall be conclusive absent manifest error. Notwithstanding any provision in this Agreement to the contrary, this Section 13 shall remain operative even after the Termination Date and shall survive the payment in full of all of the Loans.

(e) Each Lender shall deliver to Borrower Representative and each Lender and each Participant shall deliver to Agent, at the time or times prescribed by applicable laws, such properly completed and executed documentation prescribed by applicable laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit Borrower Representative or Agent, as the case may be, to determine (x) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (y) if applicable, the required rate of withholding or deduction and (z) such Lender's or Participant's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Recipient by the Loan Party Obligors pursuant to this Agreement or otherwise to establish such Recipient's status for withholding tax purposes in the applicable jurisdiction; ***provided***, that each Recipient shall only be required to deliver such documentation as it may legally provide. Without limiting the generality of the foregoing, if a Borrower is resident for tax purposes in the United States:

(i) each Lender (or Participant) that is a "***United States person***" within the meaning of Section 7701(a)(30) of the Code shall deliver to Borrower Representative and Agent (or any Lender granting a participation as applicable) an executed original of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable law or reasonably requested by Borrower Representative or Agent (or Lender granting a participation) as will enable Borrower Representative or Agent (or Lender granting a participation) as the case may be, to determine whether or not such Lender (or Participant) is subject to backup withholding or information reporting requirements under the Code;

(ii) each Lender (or Participant) that is not a "***United States person***" within the meaning of Section 7701(a)(30) of the Code (a "***Non-U.S. Recipient***") shall deliver to Borrower Representative and Agent (or any Lender granting a participation in case the Non-U.S. Recipient is a Participant) on or prior to the date on which such Non-U.S. Person becomes a party to this Agreement or a Participant (and from time to time thereafter upon the reasonable request of Borrower Representative or Agent but only if such Non-U.S. Recipient is legally entitled to do so), whichever of the following is applicable: (A) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party; (B) executed originals of Internal Revenue Service Form W-8ECI; (C) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation; (D) each Non-U.S. Recipient claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, shall provide (x) a certificate to the effect that such Non-U.S. Recipient is not (1) a "***bank***" within the meaning of section 881(c)(3)(A) of the Code, (2) a "***10 percent shareholder***" of Borrowers within the meaning of section 881(c)(3)(B) of the Code, or (3) a "***controlled foreign corporation***" described in section 881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W- 8BEN; and/or (E) executed originals of any other form prescribed by applicable law (including FATCA) as a basis for claiming exemption from or a reduction in United States Federal withholding tax together with such supplementary documentation as may be prescribed by applicable law to permit Borrower Representative or Agent to determine the withholding or deduction required to be made. Each Non-U.S. Recipient shall promptly notify Borrower Representative and Agent (or any Lender granting a participation if the Non-U.S. Recipient is a Participant) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

## 14. AGENT

**14.1. Appointment**. Each of the Lenders hereby irrevocably appoints Agent as its agent and authorizes Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, Agent shall have the sole and exclusive authority to (a) act as the disbursing and collecting agent for Lenders with respect to all payments and collections arising in connection with the Loan Documents; (b) execute and deliver as Agent, each Loan Document, including any intercreditor or subordination agreement, and accept delivery of each Loan Document; (c) make Loans, for itself or on behalf of Lenders, as provided in the Loan Documents, (d) act as collateral agent for Lenders for purposes of perfecting and administering Liens under the Loan Documents, and for all other purposes stated therein and execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents; (e) manage, supervise or otherwise deal with Collateral; (f) exclusively receive, apply, and distribute payments and proceeds of the Collateral as provided in the Loan Documents, (g) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents, (h) take any Enforcement Action or otherwise exercise any rights or remedies with respect to any Collateral or under any Loan Documents, applicable law or otherwise, including the determination of eligibility of Accounts and Inventory, the necessity and amount of Reserves and all other determinations and decisions relating to ordinary course administration of the credit facilities contemplated hereunder; and (i) incur and pay such expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents, whether or not any Loan Party is obligated to reimburse Agent or Lenders for such expenses pursuant to the Loan Documents or otherwise. The provisions of this Article are solely for the benefit of Agent and the Lenders, and the Loan Parties shall not have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" as used herein or in any other Loan Documents (or any similar term) with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

**14.2. Rights as a Lender**. The Person serving as Agent hereunder, if it is a Lender, shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Loan Party or any Subsidiary or any Affiliate thereof as if it were not Agent hereunder without notice to or consent of the other Lenders.

**14.3. Duties and Obligations**. Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that Agent is required to exercise as directed in writing by the Required Lenders, and, (c) except as expressly set forth in the Loan Documents, Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any Subsidiary that is communicated to or obtained by the Person serving as Agent or any of its Affiliates in any capacity. Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct as determined by a final nonappealable judgment of a court of competent jurisdiction. Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to Agent by a Borrower or a Lender, and Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the creation, perfection or priority of Liens on the ABL Priority Collateral or the existence of the ABL Priority Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to bedelivered to Agent. Agent shall be under no obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Loan Party.

**14.4. Reliance**. Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Agent may consult with and employ Agent Professionals, and shall be entitled to act upon, and shall be fully protected in any action taken in good faith reliance upon, any advice given by an Agent Professional (who may be counsel for any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document, unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

**14.5. Actions through Sub-Agents**. Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by Agent. Agent may also perform its duties through employees and other Agent-Related Persons. Agent shall not be responsible for the negligence or misconduct of any sub-agent, employee or Agent Professional that it selects as long as such selection was made without gross negligence or willful misconduct. Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers through their respective Affiliates and other related parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the related parties of Agent and any such sub- agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

**14.6. Resignation**. Subject to the appointment and acceptance of a successor Agent as provided in this paragraph, Agent may resign at any time by notifying the Lenders and Borrower Representative. Upon any such resignation, the Required Lenders shall have the right, in consultation with Borrower Representative, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent. Upon the acceptance of its appointment as Agent hereunder by its successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by Borrowers to a successor Agent shall be the same as those payable to its predecessor, unless otherwise agreed by Borrower Representative and such successor. Notwithstanding the foregoing, in the event no successor Agent shall have been so appointed and shall have accepted such appointment within thirty (30) days after the retiring Agent gives notice of its intent to resign, the retiring Agent may give notice of the effectiveness of its resignation to the Lenders and Borrower Representative, whereupon, on the date of effectiveness of such resignation stated in such notice, (a) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, provided that, solely for purposes of maintaining any security interest granted to the Agent under any Loan Document for the benefit of the Lenders, the retiring Agent shall continue to be vested with such security interest as collateral agent for the benefit of the Lenders and, in the case of any Collateral in the possession of Agent, shall continue to hold such Collateral, in each case until such time as a successor Agent is appointed and accepts such appointment in accordance with this paragraph (it being understood and agreed that the retiring Agent shall have no duly or obligation to take any further action under any Loan Document, including any action required to maintain the perfection of any such security interest), and (b) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, provided that (i) all payments required to be made hereunder or under any other Loan Document to the Agent for the account of any Person other than Agent shall be made directly to such Person and (ii) all notices and other communications required or contemplated to be given or made to Agent shall also directly be given or made to each Lender. Following the effectiveness of the Agent's resignation from its capacity as such, the provisions of this Article, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective related parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent and in respect of the matters referred to in the proviso under clause (a) above.

**14.7. Non-Reliance.**

(a) Each Lender acknowledges and agrees that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrowers and their respective Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender further acknowledges the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon any Agent-Related Person, any arranger of this credit facility or any amendment thereto or any other Lender and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document, and all applicable laws relating to the transactions contemplated hereby, and made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon any Agent-Related Person, any arranger of this credit facility or any amendment thereto or any other Lender and based on such documents and information (which may contain material, non- public information within the meaning of the United States securities laws concerning any Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own credit analysis and decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder , and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower or any other Person party to a Loan Document and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Borrower or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges that Agent does not have any duty or responsibility, either initially or on a continuing to provide such Lender with any credit or other information with respect to any Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement.

(b) Each Lender hereby agrees that (i) it has requested a copy of each appraisal, audit or field examination report prepared by or on behalf of Agent; (ii) Agent (A) makes no representation or warranty, express or implied, as to the completeness or accuracy of any such report or any of the information contained therein or any inaccuracy or omission contained in or relating to any such report and (B) shall not be liable for any information contained in any such report; (iii) such reports are not comprehensive audits or examinations, and that any Person performing any field examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel and that Agent undertakes no obligation to update, correct or supplement such reports; (iv) it will keep all such reports confidential and strictly for its internal use, not share any such report with any Loan Party or any other Person except as otherwise permitted pursuant to this Agreement; and (v) without limiting the generality of any other indemnification provision contained in this Agreement, (A) it will hold Agent and any such other Person preparing any such report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any such report in connection with any extension of credit that the indemnifying Lender has made or may make to any Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a Loan or Loans; and (B) it will pay and protect, and indemnify, defend, and hold Agent and any such other Person preparing any such report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including reasonable attorneys' fees of both internal and external counsel) of Agent or any such other Person as the direct or indirect result of any third parties who might obtain all or part of any such report through the indemnifying Lender.

**14.8. Not Partners or Co-Venturers; Agent as Representative of the Secured Parties**.

(a) The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in the case of Agent) authorized to act for, any other Lender. Agent shall have the exclusive right on behalf of the Lenders to enforce the payment of the principal of and interest on any Loan after the date such principal or interest has become due and payable pursuant to the terms of this Agreement.

(b) In its capacity, Agent is a "representative" of the Lenders within the meaning of the term "secured party" as defined in the UCC or a “person who holds a security interest for the benefit” of the Lenders within the meaning of the term “secured party” as defined in the PPSA. Each Lender authorizes Agent to enter into each of the Loan Documents to which it is a party and to take all action contemplated by such documents. Each Lender agrees that no Lender (other than Agent) shall have the right individually to seek to realize upon the security granted by any Loan Document, it being understood and agreed that such rights and remedies may be exercised solely by Agent for the benefit of the Lenders upon the terms of the Loan Documents. In the event that any Collateral is hereafter pledged by any Person as collateral security for the Obligations, Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Lenders any Loan Documents necessary or appropriate to grant and perfect a Lien on such Collateral in favor of Agent on behalf of the Lenders.

(c) Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting Agent’s Liens in assets which can be perfected by possession or control in accordance with Article 8 or Article 9, as applicable, of the UCC or the equivalent provisions of the applicable PPSA. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent’s request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent’s instructions. Agent shall have no obligation whatsoever to any of the Lenders (i) to verify or assure that the Collateral exists or is owned by any Borrower or its Subsidiaries or is cared for, protected, or insured or has been encumbered, (ii) to verify or assure that Agent’s Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, (iii) to verify or assure that any particular items of Collateral meet the eligibility criteria applicable in respect thereof, (iv) to impose, maintain, increase, reduce, implement or eliminate any particular reserve hereunder or to determine whether the amount of any reserve is appropriate or not, or (v) to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein.

**14.9. Credit Bidding**. The Loan Parties and the Lenders hereby irrevocably authorize Agent, based upon the instruction of the Required Lenders, to Credit Bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (and the Loan Parties shall approve Agent as a qualified bidder and such Credit Bid as qualified bid) at any sale thereof conducted by Agent, based upon the instruction of the Required Lenders, under any provisions of the UCC or PPSA, as part of any sale or investor solicitation process conducted by any Loan Party, any interim receiver, receiver, receiver and manager, administrative receiver, trustee, agent or other Person pursuant or under any insolvency laws; provided, however, that (i) the Required Lenders may not direct Agent in any manner that does not treat each of the Lenders equally, without preference or discrimination, in respect of consideration received as a result of the Credit Bid, (ii) the acquisition documents shall be commercially reasonable and contain customary protections for minority holders such as among other things, anti-dilution and tag-along rights, (iii) the exchanged debt or equity securities must be freely transferable, without restriction (subject to applicable securities laws) and (iv) reasonable efforts shall be made to structure the acquisition in a manner that causes the governance documents pertaining thereto to not impose any obligations or liabilities upon the Lenders individually (such as indemnification obligations). Agent, based upon the instruction of the Required Lenders, may accept non-cash consideration, including debt and equity securities issued by any entities used to consummate such Credit Bid or purchase and in connection therewith Agent may reduce the Obligations owed to the Lenders (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) based upon the value of such non-cash consideration. For purposes of the preceding sentence, the term "Credit Bid" shall mean, an offer submitted by Agent (on behalf of the Lender group), based upon the instruction of the Required Lenders, to acquire the property of any Loan Party or any portion thereof in exchange for and in full and final satisfaction of all or a portion (as determined by Agent, based upon the instruction of the Required Lenders) of the claims and Obligations under this Agreement and other Loan Documents.

**14.10. Certain Collateral Matters**. The Lenders irrevocably authorize Agent, at its option and in its discretion, (a) to release any Lien granted to or held by Agent under any Loan Document (i) upon termination of the Commitments and payment in full of all Loans and all other obligations of Borrowers hereunder; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder (including the release of any guarantor); or (iii) subject to Section 15.5 if approved, authorized or ratified in writing by the Required Lenders; or (ii) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is permitted by clause (a) of the definition of Permitted Liens (it being understood that Agent may conclusively rely on a certificate from Borrower Representative in determining whether the Indebtedness secured by any such Lien is permitted hereunder). Upon request by Agent at any time, the Lenders will confirm in writing Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 14.10. Agent may, and at the direction of Required Lenders shall, give blockage notices in connection with any Subordinated Debt and each Lender hereby authorizes Agent to give such notices. Each Lender further agrees that it will not act unilaterally to deliver such notices.

**14.11. Restriction on Actions by Lenders**. Each Lender agrees that it shall not, without the express written consent of Agent, and shall, upon the written request of Agent (to the extent it is lawfully entitled to do so), set off against the Obligations, any amounts owing by such Lender to a Loan Party or any deposit accounts of any Loan Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken, any action, including the commencement of any legal or equitable proceedings to foreclose any loan or otherwise enforce any security interest in any of the Collateral or to enforce all or any part of this Agreement or the other Loan Documents. All Enforcement Actions under this Agreement and the other Loan Documents against the Loan Parties or any third party with respect to the Obligations or the Collateral may only be taken by Agent (at the direction of the Required Lenders or as otherwise permitted in this Agreement) or by its agents at the direction of Agent.

**14.12. Expenses**. Agent is authorized and directed to deduct and retain sufficient amounts from payments or proceeds of the Collateral received by Agent to reimburse Agent for such out-of- pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent is not reimbursed for such costs and expenses by a Loan Party, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable share thereof. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including Agent Professional fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

**14.13. Notice of Default or Event of Default**. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent will promptly notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with this Agreement; provided, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

**14.14. Liability of Agent**. None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by any Borrower or any of their respective Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower, or any of their respective Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of any Borrower or their respective Subsidiaries.

**15. GENERAL PROVISIONS.**

**15.1. Notices.**

(a) **Notice by Approved Electronic Communications**. Agent and each of its Affiliates is authorized to transmit, post or otherwise make or communicate, in its sole discretion (but shall not be required to do so), by Approved Electronic Communications in connection with this Agreement or any other Loan Document and the transactions contemplated therein. Agent is hereby authorized to establish procedures to provide access to and to make available or deliver, or to accept, notices, documents and similar items by posting to ABLSoft. All uses of ABLSoft and other Approved Electronic Communications shall be governed by and subject to, in addition to the terms of this Agreement, the separate terms, conditions and privacy policy posted or referenced in such system (or such terms, conditions and privacy policy as may be updated from time to time, including on such system) and any related contractual obligations executed by Agent and Loan Parties in connection with the use of such system. Each of the Loan Parties, the Lenders and Agent hereby acknowledges and agrees that the use of ABLSoft and other Approved Electronic Communications is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each indicates it assumes and accepts such risks by hereby authorizing Agent and each of its Affiliates to transmit Approved Electronic Communications. ABLSoft and all Approved Electronic Communications shall be provided "***as is***" and "***as available***". None of Agent or any of its Affiliates or related persons warrants the accuracy, adequacy or completeness of ABLSoft or any other electronic platform or electronic transmission and disclaims all liability for errors or omissions therein. No warranty of any kind is made by Agent or any of its Affiliates or related persons in connection with ABLSoft or any other electronic platform or electronic transmission, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects. Each Borrower and each other Loan Party executing this Agreement agrees that Agent has no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with ABLSoft, any Approved Electronic Communication or otherwise required for ABLSoft or any Approved Electronic Communication. Prior to the Closing Date, Borrower Representative shall deliver to Agent a complete and executed Client User Form regarding Borrowers' use of ABLSoft in the form of Exhibit C annexed hereto. No Approved Electronic Communications shall be denied legal effect merely because it is made electronically. Approved Electronic Communications that are not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to, or logically associating with such Approved Electronic Communication, an E-Signature, upon which Agent and the Loan Parties may rely and assume the authenticity thereof. Each Approved Electronic Communication containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original. Each E-Signature shall be deemed sufficient to satisfy any requirement for a "***signature***" and each Approved Electronic Communication shall be deemed sufficient to satisfy any requirement for a "***writing***", in each case including pursuant to this Agreement, any other Loan Document, the UCC, PPSA, the Federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any similar Canadian laws governing the electronic execution and delivery of agreements, documents, and instruments and any substantive or procedural law governing such subject matter. Each party or beneficiary hereto agrees not to contest the validity or enforceability of an Approved Electronic Communication or E-Signature under the provisions of any applicable law requiring certain documents to be in writing or signed; ***provided***, that nothing herein shall limit such party's or beneficiary's right to contest whether an Approved Electronic Communication or E-Signature has been altered after transmission.

(b) **All Other Notices**. All notices, requests, demands and other communications under or in respect of this Agreement or any transactions hereunder, other than those approved for or required to be delivered by Approved Electronic Communications (including via ABLSoft or otherwise pursuant to Section 15.1(a)), shall be in writing and shall be personally delivered or mailed (by prepaid registered or certified mail, return receipt requested), sent by prepaid recognized overnight courier service, or by email to the applicable party at its address or email address indicated below,

If to Agent:

ENCINA BUSINESS CREDIT, LLC,
as Agent
123 N Wacker Suite 2400
Chicago, IL 60606
Attention: ~~Thomas Sullivan~~Tracy Salyers
Email: ~~tsullivan~~tsalyers@encinabc.com

If to Borrower Representative, any Borrower or any other Loan Party:

Hydrofarm, LLC
2249 S. McDowell Boulevard
Petaluma, CA 94954
Attention: Jeff Peterson, CFO Email: jeffp@hydrofarm.com

**with a copy to:**

Perkins Coie LLP
131 S. Dearborn Street Suite 1700
Chicago, IL 60603-5559
Attention: Teri Lindquist
Email: tlindquist@perkinscoie.com

or, as to each party, at such other address as shall be designated by such party in a written notice to the other party delivered as aforesaid. All such notices, requests, demands and other communications shall be deemed given (i) when personally delivered, (ii) three Business Days after being deposited in the mails with postage prepaid (by registered or certified mail, return receipt requested), (iii) one Business Day after being delivered to the overnight courier service, if prepaid and sent overnight delivery, addressed as aforesaid and with all charges prepaid or billed to the account of the sender or (iv) when sent by email transmission to an email address designated by such addressee and the sender receives a confirmation of transmission.

**15.2. Severability**. If any provision of this Agreement or any other Loan Document is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed modified only to the extent necessary to render same valid, or not applicable to given circumstances, or excised from this Agreement or such other Loan Document, as the situation may require, and this Agreement and the other Loan Documents shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein or therein, as the case may be.

**15.3. Integration**. This Agreement and the other Loan Documents represent the final, entire and complete agreement between each Loan Party that is a party hereto and thereto and Agent and supersede all prior and contemporaneous negotiations, oral representations and agreements, all of which are merged and integrated into this Agreement. THERE ARE NO ORAL UNDERSTANDINGS, REPRESENTATIONS OR AGREEMENTS BETWEEN THE PARTIES THAT ARE NOT SET FORTH IN THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

**15.4. Waivers**. The failure of Agent and the Lenders at any time or times to require any Loan Party to strictly comply with any of the provisions of this Agreement or any other Loan Documents shall not waive or diminish any right of Agent later to demand and receive strict compliance therewith. Any waiver of any default shall not waive or affect any other default, whether prior or subsequent, and whether or not similar. None of the provisions of this Agreement or any other Loan Document shall be deemed to have been waived by any act or knowledge of Agent or its agents or employees, but only by a specific written waiver signed by an authorized officer of Agent and any necessary Lenders and delivered to Borrowers. Once an Event of Default shall have occurred, it shall be deemed to continue to exist and not be cured or waived unless specifically waived in writing by an authorized officer of Agent and Required Lenders and delivered to Borrowers. Each Loan Party Obligor waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, Instrument, Account, General Intangible, Document, Chattel Paper, Investment Property or guaranty at any time held by Agent on which such Loan Party Obligor is or may in any way be liable, and notice of any action taken by Agent, unless expressly required by this Agreement, and notice of acceptance hereof.

**15.5. Amendments.**

(a) No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that, except to the extent set forth in Section 14.9 hereof, no amendment, modification, waiver or consent shall (i) extend or increase the Commitment of any Lender without the written consent of such Lender, (ii) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby,, (iii) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, without the consent of each Lender directly affected thereby; (iv) amend or modify the definitions of Borrowing Base, Eligible Accounts or Eligible Inventory, or any components thereof (including any advance rates), without the written consent of each Lender; or (v) release any guarantor from its obligations under any Guaranty, other than as part of or in connection with any disposition permitted hereunder, or release or subordinate its liens on all or any substantial part of the Collateral granted under any of the other Loan Documents (except as permitted by Section 14.10), change the definition of Required Lenders, any provision of Section 6.2, any provision of this Section 15.4, the provisions of Section 14.9 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case set forth in this clause (v), the written consent of all Lenders. No provision of Section 14 or other provision of this Agreement affecting Agent in its capacity as such shall be amended, modified or waived without the consent of Agent.

(b) If, in connection with any proposed amendment, modification, waiver or termination requiring the consent of all Lenders, the consent of the Required Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained being referred to as a "***Non-Consenting Lender***"), then, so long as Agent is not a Non- Consenting Lender, Agent and/or a Person or Persons reasonably acceptable to Agent shall have the right to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent and/or such Person or Persons, all of the Loans and Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all such Loans and Commitments held by such Non-Consenting Lenders and all accrued interest, fees, expenses and other amounts then due with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption.

**15.6. Time of Essence**. Time is of the essence in the performance by each Loan Party Obligor of each and every obligation under this Agreement and the other Loan Documents.

**15.7. Expenses, Fee and Costs Reimbursement**. Each Borrower hereby agrees to promptly pay (a) all out of pocket costs and expenses of Agent (including the reasonable out of pocket fees, costs and expenses of internal and external legal counsel to, and appraisers, accountants, consultants and other professionals and advisors retained by or on behalf of, Agent) in connection with (i) all loan proposals and commitments pertaining to the transactions contemplated hereby (whether or not such transactions are consummated), (ii) the examination, review, due diligence investigation, documentation, negotiation, and closing of the transactions contemplated by the Loan Documents (whether or not such transactions are consummated), (iii) the creation, perfection and maintenance of Liens pursuant to the Loan Documents, (iv) the performance or enforcement by Agent of its rights and remedies under the Loan Documents (or determining whether or how to perform or enforce such rights and remedies), (v) the administration of the Loans (including usual and customary fees for wire transfers and other transfers or payments received by Agent on account of any of the Obligations) and Loan Documents, (vi) any amendments, modifications, consents and waivers to and/or under any and all Loan Documents (whether or not such amendments, modifications, consents or waivers are consummated), (vii) any periodic public record searches conducted by or at the request of Agent (including, title investigations and public records searches), pending litigation and tax lien searches and searches of applicable corporate, limited liability company, partnership and related records concerning the continued existence, organization and good standing of certain Persons), (viii) protecting, storing, insuring, handling, maintaining, auditing, examining, valuing or selling any Collateral, (ix) any litigation, dispute, suit or proceeding relating to any Loan Document (other than disputes among Lenders or among Lenders and Agent) and (x) any workout, collection, bankruptcy, insolvency and other enforcement proceedings under any and all of the Loan Documents (it being agreed that (A) such costs and expenses may include the costs and expenses of workout consultants, investment bankers, financial consultants, appraisers, valuation firms and other professionals and advisors retained by or on behalf of Agent (B) each Lender shall also be entitled to reimbursement for all out of pocket costs and expense of the type described in this clause (x), p***rovided*** that, to the extent of an actual or reasonably perceived conflict of interest, such reimbursement shall be limited to one additional counsel for the Lenders as a whole), and (b) without limiting the preceding clause (a), all out of pocket costs and expenses of Agent in connection with Agent's reservation of funds in anticipation of the funding of the initial Loans to be made hereunder. Any fees, costs and expenses owing by any Borrower or other Loan Party Obligor hereunder shall be due and payable within three days after written demand therefor.

**15.8. Benefit of Agreement; Assignability**. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of each Borrower, each other Loan Party Obligor party hereto, Agent and each Lender; provided, that neither each Borrower nor any other Loan Party Obligor may assign or transfer any of its rights under this Agreement without the prior written consent of Agent and each Lender, and any prohibited assignment shall be void. No consent by Agent or any Lender to any assignment shall release any Loan Party Obligor from its liability for any of the Obligations. Each Lender shall have the right to assign all or any of its rights and obligations under the Loan Documents to one or more other Persons in accordance with Section 15.9, and each Loan Party Obligor agrees to execute all agreements, instruments, and documents requested by any Lender in connection with such assignment. Notwithstanding any provision of this Agreement or any other Loan Document to the contrary, a Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement and the other Loan Documents to secure any obligations of such Lender, including any pledge or grant to secure obligations to a Federal Reserve Bank.

**15.9. Assignments.**

(a) Any Lender may at any time assign to one or more Persons (any such Person, an "***Assignee***") all or any portion of such Lender's Loans and Commitments, with the prior written consent of Agent and, so long as no Event of Default exists, Borrower Representative (which consents shall not be unreasonably withheld or delayed and shall not be required for an assignment by a Lender to a Lender (other than a Defaulting Lender) or an Affiliate of a Lender (other than an Affiliate of a Defaulting Lender) or an Approved Fund (other than an Approved Fund of a Defaulting Lender)). Except as Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to $5,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender (provided, that an assignment to a Lender, an Affiliate of a Lender or an Approved Fund shall not be subject to the foregoing minimum assignment limitations). The Loan Parties and Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until Agent shall have received and accepted an effective Assignment and Assumption executed, delivered and fully completed by the applicable parties thereto and a processing fee of $3,500. Notwithstanding anything herein to the contrary, no assignment may be made to any equity holder of a Loan Party, any Affiliate of any equity holder of a Loan Party, any Loan Party, any holder of Subordinated Debt of a Loan Party, any holder of any debt that is secured by liens or security interests that have been contractually subordinated to the liens and security interests securing the Obligations, or any Affiliate of any of the foregoing Persons without the prior written consent of Agent, which consent may be withheld in Agent's sole discretion and, in any event, if granted, may be conditioned on such terms and conditions as Agent shall require in its sole discretion, including a limitation on the aggregate amount of Loans and Commitments which may be held by such Person and/or its Affiliates and/or limitations on such Person's and/or its Affiliates' voting and consent rights and/or rights to attend Lender meetings or obtain information provided to other Lenders. Any attempted assignment not made in accordance with this Section 15.10 shall be null and void. Each Borrower shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless Borrower Representative has expressly objected to such assignment within five (5) Business Days after notice thereof.

(b) From and after the date on which the conditions described in Section 15.10(a) above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to the applicable Assignment and Assumption, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to the applicable Assignment and Assumption, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment and Assumption, Borrowers shall execute and deliver to Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a promissory note in the principal amount of the Assignee's Pro Rata Share of the aggregate Revolving Loan Commitment (and, as applicable, a promissory note in the principal amount of the Pro Rata Share of the aggregate Revolving Commitment retained by the assigning Lender). Upon receipt by Agent of such promissory note(s), the assigning Lender shall return to Borrowers any prior promissory note held by it.

(c) Agent shall, as a non-fiduciary agent of Borrowers, maintain a copy of each Assignment and Assumption delivered and accepted by it and register (the "***Register***") for the recordation of names and addresses of the Lenders and the Commitment of each Lender and principal and stated interest of each Loan owing to each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment and Assumption is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register. Each Lender granting a participation shall, as a non-fiduciary agent of the Borrowers, maintain a register containing information similar to that of the Register in a manner such that the loans hereunder are in "registered form" for the purposes of the Code. This Section and Section 19.1.2 shall be construed so that the Loans are at all times maintained in "registered form" for the purpose of the Code and any related regulations (and any successor provisions).

**15.10. Participations**. Anything in this Agreement or any other Loan Document to the contrary notwithstanding, any Lender may, at any time and from time to time, without in any manner affecting or impairing the validity of any Obligations, sell to one or more Persons participating interests in its Loans, commitments or other interests hereunder or under any other Loan Document (any such Person, a "***Participant***"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder and under the other Loan Documents shall remain unchanged for all purposes, (b) Borrowers and such Lender shall continue to deal solely and directly with each other in connection with such Lender's rights and obligations hereunder and under the other Loan Documents and (c) all amounts payable by Borrowers shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender; ***provided***, that a Participant shall be entitled to the benefits of Section 13 as if it were a Lender if Borrower Representative is notified of the Participation and the Participant complies with Section 13. Each Borrower agrees that if amounts outstanding under this Agreement or any other Loan Document are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and the other Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; ***provided***, that such right of set-off shall not be exercised without the prior written consent of such Lender and shall be subject to the obligation of each Participant to share with such Lender its share thereof. Each Borrower also agrees that each Participant shall be entitled to the benefits of Section 15.9 as if it were a Lender. Notwithstanding the granting of any such participating interests, (i) Borrowers shall look solely to the applicable Lender for all purposes of this Agreement, the Loan Documents and the transactions contemplated hereby, (ii) Borrowers shall at all times have the right to rely upon any amendments, waivers or consents signed by the applicable Lender as being binding upon all of the Participants and (iii) all communications in respect of this Agreement and such transactions shall remain solely between Borrowers and the applicable Lender (exclusive of Participants) hereunder. If a Lender grants a participation hereunder, such Lender shall maintain, as a non-fiduciary agent of Borrowers, a register as to the participations granted and transferred under this Section containing the same information specified in Section 15.9 on the Register as if each Participant were a Lender to the extent required to cause the Loans to be in registered form for the purposes of Sections 163(F), 165(J), 871, 881, and 4701 of the Code.

**15.11. Headings; Construction**. Section and subsection headings are used in this Agreement only for convenience and do not affect the meanings of the provisions that they precede.

**15.12. USA PATRIOT Act Notification**. Agent hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act, it may be required to obtain, verify and record certain information and documentation that identifies such Person, which information may include the name and address of each such Person and such other information that will allow Agent to identify such Persons in accordance with the USA PATRIOT Act.

**15.13. Counterparts; Fax/Email Signatures**. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same agreement. This Agreement may be executed by signatures delivered by facsimile or electronic mail, each of which shall be fully binding on the signing party.

**15.14. GOVERNING LAW**. THIS AGREEMENT, ALONG WITH ALL OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED OTHERWISE IN SUCH OTHER LOAN DOCUMENT) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES. FURTHER, THE LAW OF THE STATE OF NEW YORK SHALL APPLY TO ALL DISPUTES OR CONTROVERSIES ARISING OUT OF OR CONNECTED TO OR WITH THIS AGREEMENT AND ALL SUCH OTHER LOAN DOCUMENTS WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

**15.15. CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL; CONSENT TO SERVICE OF PROCESS**. ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS IN THE COUNTY OF COOK OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS OR IN ANY OTHER COURT (IN ANY JURISDICTION) SELECTED BY THE AGENT IN ITS SOLE DISCRETION, AND EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFOREMENTIONED COURTS. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, OR BASED ON 28 U.S.C. § 1404, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING AND ADJUDICATION OF ANY SUCH ACTION, SUIT OR PROCEEDING IN ANY OF THE AFOREMENTIONED COURTS AND AMENDMENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR UNDER ANY AMENDMENT, WAIVER, AMENDMENT, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE OTHER TRANSACTION DOCUMENTS, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH BORROWER AND EACH OTHER LOAN PARTY OBLIGOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON ANY BORROWER OR ANY OTHER LOAN PARTY OBLIGOR AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY CERTIFIED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO BORROWER'S' NOTICE ADDRESS (ON BEHALF OF BORROWERS OR SUCH LOAN PARTY OBLIGOR) SET FORTH IN SECTION 15.1 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE MAIL, OR, AT THE AGENT'S OPTION, BY SERVICE UPON ANY BORROWER OR ANY OTHER LOAN PARTY OBLIGOR IN ANY OTHER MANNER PROVIDED UNDER THE RULES OF ANY SUCH COURTS.

**15.16. Publication**. Each Borrower and each other Loan Party Obligor consents to the publication by Agent of a tombstone, press releases or similar advertising material relating to the financing transactions contemplated by this Agreement, and Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

**15.17. Confidentiality**. Agent and each Lender agree to use commercially reasonable efforts not to disclose Confidential Information to any Person without the prior consent of Borrower Representative; ***provided***, that nothing herein contained shall limit any disclosure of the tax structure of the transactions contemplated hereby, or the disclosure of any information (a) to the extent required by applicable law, statute, rule, regulation or judicial process or in connection with the exercise of any right or remedy under any Loan Document, or as may be required in connection with the examination, audit or similar investigation of Agent or any of its Affiliates, (b) to examiners, auditors, accountants or any regulatory authority, (c) to the officers, partners, managers, directors, employees, agents and advisors (including independent auditors, lawyers and counsel) of Agent and each Lender or any of their respective Affiliates, (d) in connection with any litigation or dispute which relates to this Agreement or any other Loan Document to which Agent or any Lender is a party or is otherwise subject, (e) to a subsidiary or Affiliate of Agent or any Lender, (f) to any assignee or participant (or prospective assignee or participant) which agrees to be bound by this Section 15.17 and (g) to any lender or other funding source of Agent or any Lender (each reference to Agent and Lender in the foregoing clauses shall be deemed to include (i) the actual and prospective assignees and participants referred to in clause (f) and the lenders and other funding sources referred to in clause (g), as applicable for purposes of this Section 15.17), and further ***provided***, that in no event shall Agent or any Lender be obligated or required to return any materials furnished by or on behalf of any Borrower or any other Loan Party or Obligor. The obligations of Agent and Lenders under this Section 15.17 shall supersede and replace the obligations of Agent and Lenders under any confidentiality letter or provision in respect of this financing or any other financing previously signed and delivered by Agent or any Lender to any Borrower or any of its Affiliates.

**15.18. INTERCREDITOR AGREEMENT.**

EACH LENDER PARTY HERETO (I) UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT IT (AND EACH OF ITS SUCCESSORS AND ASSIGNS) AND EACH OTHER LENDER (AND EACH OF THEIR SUCCESSORS AND ASSIGNS) SHALL BE BOUND BY THE INTERCREDITOR AGREEMENT, (II) AUTHORIZES AND DIRECTS THE AGENT TO ENTER INTO THE INTERCREDITOR AGREEMENT ON ITS BEHALF, AND (III) AGREES THAT ANY ACTION TAKEN BY THE AGENT PURSUANT TO THE INTERCREDITOR AGREEMENT SHALL BE BINDING UPON SUCH LENDER.

THE PROVISIONS OF THIS SECTION 15.19 ARE NOT INTENDED TO SUMMARIZE OR FULLY DESCRIBE THE PROVISIONS OF THE INTERCREDITOR AGREEMENT. REFERENCE MUST BE MADE TO THE INTERCREDITOR AGREEMENT ITSELF TO UNDERSTAND ALL TERMS AND CONDITIONS THEREOF. EACH LENDER IS RESPONSIBLE FOR MAKING ITS OWN ANALYSIS AND REVIEW OF THE INTERCREDITOR AGREEMENT AND THE TERMS AND PROVISIONS THEREOF, AND NEITHER THE AGENT NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION TO ANY LENDER AS TO THE SUFFICIENCY OR ADVISABILITY OF THE PROVISIONS CONTAINED IN THE INTERCREDITOR AGREEMENT. A COPY OF THE INTERCREDITOR AGREEMENT MAY BE OBTAINED FROM THE AGENT.

THE INTERCREDITOR AGREEMENT IS AN AGREEMENT SOLELY AMONGST THE SECURED PARTIES (AS DEFINED IN THE INTERCREDITOR AGREEMENT) AND THEIR RESPECTIVE AGENTS (INCLUDING THEIR SUCCESSORS AND ASSIGNS) AND IS ACKNOWLEDGED AND AGREED TO BY THE LOAN PARTIES. AS MORE FULLY PROVIDED THEREIN, THE INTERCREDITOR AGREEMENT CAN ONLY BE AMENDED BY THE PARTIES THERETO IN ACCORDANCE WITH THE PROVISIONS THEREOF.

IN THE EVENT OF ANY CONFLICT BETWEEN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND THE INTERCREDITOR AGREEMENT, THE INTERCREDITOR AGREEMENT SHALL GOVERN.

**[Signature page follows]**

IN WITNESS WHEREOF, each Borrower, each other Loan Party Obligor party hereto, Agent and each Lender have signed this Agreement as of the date first set forth above.

**Agent:**

**ENCINA BUSINESS CREDIT, LLC**

By: /s/ Tracy Salyers

Name: Tracy Salyers

Its: Authorized Signatory

**Lenders:**

**ENCINA BUSINESS CREDIT SPV, LLC**

By: /s/ Tracy Salyers

Name: Tracy Salyers

Its: Authorized Signatory

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**SUNBLASTER, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**SUNBLASTER HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**HYDROFARM CANADA, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ Jeff Peterson

Name: Jeff Peterson

Its: CFO

**Annex I**

**Description of Certain Terms**

**ANNEX III**

**Revolving Loan Commitments**

| | |
|---|---|
| Encina Business Credit SPV, LLC | $45,000,000 |
| | |
| Total | $45,000,000 |

ANNEX V

Disqualified Institutions

**Exhibit A**

**FORM OF NOTICE OF BORROWING**

**[letterhead of Borrower Representative]**

ENCINA BUSINESS CREDIT, LLC, as Agent
_____
_____
Attention: [_____]

Ladies and Gentlemen:

Please refer to the Loan and Security Agreement dated as of [_____] (as amended, restated or otherwise modified from time to time, the "***Loan Agreement***") among the undersigned, as Borrower Representative, the Borrowers (as defined therein) the Loan Party Obligors (as defined therein) party thereto, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as Agent for the Lenders. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Loan Agreement. This notice is given pursuant to Section 2.3 of the Loan Agreement and constitutes a representation by Borrower Representative, for itself and on behalf of each Borrower, that the conditions specified in Section 4 of the Loan Agreement have been satisfied. Without limiting the foregoing, (i) each of the representations and warranties set forth in the Loan Agreement and in the other Loan Documents is true and correct in all respects as of the date hereof (or to the extent any representations or warranties are expressly made solely as of an earlier date, such representations and warranties shall be true and correct as of such earlier date), both before and after giving effect to the Loans requested hereby, and (ii) no Default or Event of Default is in existence, both before and after giving effect to the Loans requested hereby.

Borrower Representative hereby requests a borrowing, on behalf of each Borrower, under the Loan Agreement as follows:

The aggregate amount of the proposed borrowing is $[_____]. The requested borrowing date for the proposed borrowing (which is a Business Day) is [_____], [____].

Borrower Representative has caused this Notice of Borrowing to be executed and delivered by its officer thereunto duly authorized on [_____].

[Borrower Representative], as Borrower Representative

By: _____
Title:

**Exhibit B**

**CLOSING CHECKLIST**

**Exhibit C**

**CLIENT USER FORM**

**ENCINA BUSINESS CREDIT, LLC**
**ABLSoft – Client User Form**

**Borrowers Names: [Borrowers]**

**Borrower Number: _____**

**Loan and Security Agreement Date**: _____ __, 20__

I, being an authorized signer of the above borrower, as Borrower Representative (the ***"Borrower"***), refer to the above Loan and Security Agreement (as amended, restated or otherwise modified from time to time, the "***Loan Agreement***") between the Borrowers named above, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as Agent. This is the Client User Form, used to determined client access to ABLSoft. Terms defined in the Loan Agreement have the same meaning when used in this Client User Form.

Being duly authorized by Borrower Representative, on behalf of Borrowers, I confirm that the following individuals have been authorized by Borrower to have access to ABLSoft:

| First Name | Last Name | Email Address | Phone Number |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**[Borrower Representative], as Borrower Representative**

By: _____
Name: _____
Title: _____
Date: _____

**Exhibit D**

**AUTHORIZED ACCOUNTS FORM**

**ENCINA BUSINESS CREDIT, LLC**
**Authorized Accounts Form**

**Borrowers Names: [Borrowers]**

**Borrower Number: _____**

**Loan and Security Agreement Date**: _____ __, 20__

I, being an authorized signer of , as Borrower Representative, refer to the above Loan and Security Agreement (as amended, restated or otherwise modified from time to time, the "***Loan Agreement***") between the Borrower named above, the Lenders party thereto and ENCINA BUSINESS CREDIT, LLC, as agent ("***Agent***"). This is the Authorized Accounts Form, referring to authorized operating bank accounts of Borrower. Terms defined in the Loan Agreement have the same meaning when used in this Authorized Accounts Form.

Being duly authorized by Borrower Representative, I confirm that the following operating bank accounts of Borrowers are the accounts into which the proceeds of any Loan may be paid:

| Bank | Routing Number | Account number | Account name |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**[Borrower Representative], as Borrower Representative**

By: _____
Authorized Signer

Name: _____
Title: _____
Date: _____

**Exhibit E**

**FORM OF ACCOUNT DEBTOR NOTIFICATION**

**[Date]**

**VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED**
**[Account Debtor]**
**[Address]**

**Re: Loan Transaction with ENCINA BUSINESS CREDIT, LLC**

Ladies and Gentlemen:

Please be advised that we have entered into certain financing arrangements (along with any other financing agreements that we may enter into with Agent in the future, the ***"Financing Arrangements"***) with ENCINA BUSINESS CREDIT, LLC (***"Agent"***), as Agent for certain Lenders, pursuant to which we have granted to Agent a security interest in, among other things, any and all Accounts and Chattel Paper (as those terms are defined in the Uniform Commercial Code) owing by you to us, whether now existing or hereafter arising.

You are authorized and directed to respond to any inquiries that Agent may direct to you from time to time pertaining to the validity, amount and other matters relating to such Accounts and Chattel Paper. In the event that Agent requests that payment for any Accounts and/or Chattel Paper be made directly to Agent, you are hereby authorized and directed to comply with such instructions, without further authorization or instruction from us.

This authorization and directive shall be continuing and irrevocable until Agent advises you, in writing, that this authorization is no longer in force.

Very truly yours,

**[BORROWER]**

By: _____
Name: _____
Its: _____

cc: ENCINA BUSINESS CREDIT, LLC
as Agent

_____
_____
Attention: _____

**Exhibit F**

**FORM OF COMPLIANCE CERTIFICATE**

**[letterhead of Borrower Representative]**

To: ENCINA BUSINESS CREDIT, LLC
as Agent

_____

_____

Attention: _____

Re: Compliance Certificate dated _____

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of _____, 20__ (as amended, restated or otherwise modified from time to time, the "***Loan Agreement***") by and among ENCINA BUSINESS CREDIT, LLC ("***Agent***"), the Lenders party thereto, [_____], a [_____] and [_____], a [_____] (each a "***Borrower***" and collectively, the "***Borrowers***") and each of the Loan Party Obligors (as defined therein) party thereto. Capitalized terms used in this Compliance Certificate have the meanings set forth in the Loan Agreement unless specifically defined herein.

Pursuant to Section 7.15 of the Loan Agreement, the undersigned Chief Financial Officer of Borrower Representative hereby certifies on behalf of each Borrower (solely in his capacity as an officer or Borrower Representative and not in his individual capacity) that:

1. The financial statements of Borrowers for the ___-month period ending _____attached hereto have been prepared in accordance with GAAP and fairly present the financial condition of Borrowers for the periods and as of the dates specified therein.

2. As of the date hereof, there does not exist any Default or Event of Default.

3. Borrowers are in compliance with the applicable financial covenants contained in Section 9 of the Loan Agreement for the periods covered by this Compliance Certificate. Attached hereto are statements of all relevant facts and computations in reasonable detail sufficient to evidence Borrowers' compliance with such financial covenants, which computations were made in accordance with GAAP.

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this __ day of _____, ____.

**[Borrower Representative], as Borrower Representative**

By: _____
Name:
Title: Chief Financial Officer

**Exhibit G**

**FORM OF ASSIGNMENT AND ASSUMPTION**

**Dated [ _____ ___, 201_]**

Reference is made to the Loan and Security Agreement dated as of [_____], 201[_] among [_____], a [_____] and [_____], a [_____] (each a "***Borrower***" and collectively the "***Borrowers***" ) , the other Loan Party Obligors party thereto, the lenders party thereto as "Lenders" and Encina Business Credit, LLC, as agent ("***Agent***") for the Lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement are used herein as therein defined.

[_____], solely in its capacity as a Lender under the Loan Agreement (the "***Assignor***"), and [_____] (the "***Assignee***") agree as follows:

2. The Assignor hereby sells and assigns to the Assignee, without recourse, representation or warranty (except as expressly set forth elsewhere herein), and the Assignee hereby purchases and assumes from the Assignor, on the Effective Date (as defined below), an interest as set forth in Exhibit A attached hereto (the "***Assigned Interest***") in and to (i) all of the Assignor's right, title and interest with respect to the Loans set forth in Exhibit A, (ii) all of the Assignor's right, title and interest with respect to the [**Revolving Loan Commitment**] of Assignor as set forth in Exhibit A and (iii) to the extent related thereto, all of the Assignor's rights and obligations, solely as a Lender, under the Loan Agreement and any other Loan Document (including, without limitation, (A) the outstanding principal amount of the Loans made by the Assignor and assigned to Assignee hereunder, and (B) the Assignor's pro rata share of the obligations owing by each Loan Party under the Loan Agreement and the Loan Documents). The Assigned Interest (expressed as a percentage) in the Loans and the [**Revolving Loan Commitment**] is set forth in Exhibit A.

3. The Assignor (i) represents and warrants as of the date hereof that **[its Revolving Loan Commitment, or if its Revolving Loan Commitment shall have been terminated, the outstanding principal amount of its Revolving Loans**], is set forth in Exhibit A (without giving effect to assignments thereof which have not yet become effective); (ii) represents and warrants that it is the legal and beneficial owner of the interest it is assigning hereunder; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by or in connection with the Loan Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other Loan Document, or any other instrument or document furnished pursuant thereto; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under the Loan Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto.

4. The Assignee represents and warrants that it has become a party hereto solely in reliance upon its own independent investigation of the financial and other circumstances surrounding the Loan Parties, the Collateral, the Loans, the Revolving Loan Commitments and all aspects of the transactions evidenced by or referred to in the Loan Documents, or has otherwise satisfied itself thereto, and that it is not relying upon any representation, warranty or statement (except any such representation, warranty or statement expressly set forth in this Assignment and Assumption) of the Assignor in connection with the assignment made under this Assignment and Assumption. The Assignee further acknowledges that the Assignee will, independently and without reliance upon Agent, the Assignor or any other Lender and based upon the Assignee's review of such documents and information as the Assignee deems appropriate at the time, make and continue to make its own credit decisions in entering into this Assignment and Assumption and taking or not taking action under the Loan Documents. The Assignor shall have no duty or responsibility either initially or on a continuing basis to make any such investigation or any such appraisal on behalf of the Assignee or to provide the Assignee with any credit or other information with respect thereto, whether coming into its possession before the making of the initial extension of credit under the Loan Agreement or at any time or times thereafter.

5. The Assignee represents and warrants to the Assignor that it has experience and expertise in the making of loans such as the Loans or with respect to the other types of credit which may be extended under the Loan Agreement; that it has acquired its Assigned Interest for its own account and not with any intention of selling all or any portion of such interest; and that it has received, reviewed and approved copies of all Loan Documents.

6. The Assignor shall not be responsible to the Assignee for the execution, effectiveness, accuracy, completeness, legal effect, genuineness, validity, enforceability, collectibility or sufficiency of any of the Loan Documents or for any representations, warranties, recitals or statements made therein or in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents made or furnished or made available by the Assignor to the Assignee or by or on behalf of the Loan Parties to the Assignor or the Assignee in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of the Loan Parties or any other Person liable for the payment of any Loans or payment of amounts owed in connection with other extensions of credit under the Loan Agreement or the value of the Collateral or any other matter. The Assignor shall not be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or other extensions of credit under the Loan Agreement or as to the existence or possible existence of any Event of Default.

7. Each party to this Assignment and Assumption represents and warrants to the other party to this Assignment and Assumption that it has full power and authority to enter into this Assignment and Assumption and to perform its obligations under this Assignment and Assumption in accordance with the provisions set forth herein, that this Assignment and Assumption has been duly authorized, executed and delivered by such party and that this Assignment and Assumption constitutes a legal, valid and binding obligation of such party, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, moratorium or other similar laws affecting creditors' rights generally and by general equitable principles.

8. Each party to this Assignment and Assumption represents and warrants that the making and performance by it of this Assignment and Assumption do not and will not violate any law or regulation of the jurisdiction of its organization or any other law or regulation applicable to it.

9. Each party to this Assignment and Assumption represents and warrants that all consents, licenses, approvals, authorizations, exemptions, registrations, filings, opinions and declarations from or with any agency, department, administrative authority, statutory corporation or judicial entity necessary for the validity or enforceability of its obligations under this Assignment and Assumption have been obtained, and no governmental authorizations other than any already obtained are required in connection with its execution, delivery and performance of this Assignment and Assumption.

10. The Assignor represents and warrants that it is the legal and beneficial owner of the interest being assigned and that such interest is free and clear of any lien, security interest or other encumbrance.

11. The Assignor makes no representation or warranty and assumes no responsibility with respect to the operations, condition (financial or otherwise), business or assets of the Loan Parties or the performance or observance by the Loan Parties of any of their obligations under the Loan Agreement or any other Loan Document.

12. The Assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto.

13. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement and the other Loan Documents are required to be performed by it as a Lender.

14. The Assignee confirms that it has received all documents and information it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption.

15. The Assignee specifies as its address for notices the office set forth beneath its name on the signature pages hereof.

16. The effective date for this Assignment and Assumption (the "***Effective Date***") shall be the date that is the latest of (a) the execution of this Assignment and Assumption, (b) the delivery of this Assignment and Assumption to Agent for acceptance, and (c) the date on which the Assignor has received the payment, in immediately available funds, by the Assignee of $[_____], which amount represents the purchase price for the Assigned Interest.

17. Upon acceptance of this Assignment and Assumption by Agent, as of the Effective Date (i) the Assignee shall, in addition to the rights and obligations under the Loan Agreement and the other Loan Documents held by it immediately prior to the Effective Date, have the rights and obligations under the Loan Agreement and the other Loan Documents that have been assigned to it pursuant to this Assignment and Assumption, and (ii) the Assignor shall, to the extent provided in this Assignment and Assumption, relinquish its rights and be released from its obligations under the Loan Agreement and the other Loan Documents that have been assigned by the Assignor to the Assignee pursuant to this Assignment and Assumption.

18. Upon acceptance of this Assignment and Assumption by Agent, from and after the Effective Date, Agent shall make all payments under the Loan Agreement in respect of the rights assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. If the Assignor receives or collects any payment of interest or fees attributable to the interests assigned to Assignee by this Assignment and Assumption which has accrued after the Effective Date, the Assignor shall distribute to the Assignee such payment. If the Assignee receives or collects any payment of interest or fees which is not attributable to the interests assigned to the Assignee by this Assignment and Assumption or which has accrued on or prior to the Effective Date, the Assignee shall distribute to the Assignor such payment.

19. This Assignment and Assumption shall be delivered and accepted in and shall be deemed to be a contract made under and governed by the internal laws of the State of [**Illinois**] (but giving effect to federal laws applicable to national banks) applicable to contracts made and to be performed entirely within such state, without regard to conflict of laws principles.

**[rest of page intentionally left blank; signature page follows]**

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute this Assignment and Assumption as of the Effective Date.

**[ASSIGNOR]**

By _____
Name _____
Title _____

NOTICE ADDRESS AN PAYMENT INSTRUCTIONS FOR ASSIGNOR

_____

_____

_____

Telephone No. (___) ___ - ____
Telecopy No. (___) ___ - ____

**[ASSIGNEE]**

By _____
Name _____
Title _____

NOTICE ADDRESS AN PAYMENT INSTRUCTIONS FOR ASSIGNEE

_____

_____

_____

Telephone No. (___) ___ - ____
Telecopy No. (___) ___ - ____

ACCEPTED this ____ day
of _____, 201__

ENCINA BUSINESS CREDIT, LLC,
as Agent

By: _____
Name: _____
Title: _____ ]

Consented to this ____ day of _____, 201__

[BORROWER]

By: _____
Name: _____
Title: _____

**EXHIBIT A**

Borrowers: [_____]

Description of Loan Agreement: Loan and Security Agreement, dated as of [_____], 201[_] among Borrowers, the other Loan Party Obligors party thereto, the lenders party thereto as "Lenders" and Encina Business Credit, LLC as agent (***"Agent"***) for the Lenders (as amended, restated, supplemented or otherwise modified from time to time).

Assigned Interests:

| **Assignor's Interest Prior to Assignment** | **Assigned Interests** | **Assignor's Remaining Interest After Assignment** | **Assignee's Pro Rata Shares** |
|---|---|---|---|
| Revolving Loans and Revolving Loan Commitments | | | |

**Schedule 7.30**

**Post-Closing Matters**

**Exhibit 10.25**

**FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This **FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of May 29, 2020, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC**, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), and **HYDROFARM, LLC**, a California limited liability company, **SUNBLASTER LLC**, a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC**, a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD**., a British Columbia company and **HYDROFARM CANADA, LLC**, a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), and **EHH HOLDINGS, LLC** a Delaware limited liability company ("EHH") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH**:

**WHEREAS**, Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 ( the "Original Loan Agreement");

**WHERAS,** the Original Loan Agreement was amended pursuant to that certain First Amendment to Loan and Security Agreement dated as of October 15, 2019 (the "First Amendment"), that certain Second Amendment to Loan and Security Agreement dated as of November 26, 2019 (the "Second Amendment") and certain Second Amendment to Loan and Security Agreement dated as of April 3, 2020 (the "Third Amendment");

**WHEREAS**, Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to further amend the Original Loan Agreement as amended by the First Amendment, the Second Amendment and the Third Amendment (the "Loan Agreement") as set forth in this Amendment; and

**WHEREAS**, Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein;

**NOW THEREFORE**, in consideration of the premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1**. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement, as amended hereby.

**SECTION 2**. Amendments.

(a) Upon the Fourth Amendment Effective Date, the following definitions are hereby added to Section 1.1 of the Loan Agreement in a manner that maintains alphabetical order:

"'***Fourth Amendment Effective Date"*** means May 29, 2020."

"***PPP Disbursement Account***" means a segregated deposit account owned by the Loan Party receiving a PPP Loan, which account shall be a Restricted Account and not subject an account control agreement or similar agreement or otherwise subject to any sweep arrangement or required application of funds to payment of the Obligations.

"***PPP Legislation***" means the SBA's Paycheck Protection Program created under Title 1 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. No. 116-136 (H.R. 748)) (as in effect on the Amendment No. 7 Effective Date (including, without limitation, rules, regulations and official interpretations disseminated as of the Amendment No. 7
Effective Date)).

"***PPP Lender***" means any Person that is authorized under the PPP Legislation to make, and actually makes, a PPP Loan to one or more Loan Parties pursuant to the PPP Legislation.

"***PPP Loan***" means a loan made by a PPP Lender to one or more Loan Parties under the PPP Legislation.

"***SBA***" means the U.S. Small Business Administration

(b) The definition of "***EBITDA***" set forth in Section 1.1 of the Loan Agreement is hereby amended to insert a new sentence at the end of such definition to read in its entirety as follows:

Notwithstanding anything to the contrary set forth herein, no income related to any forgiveness of indebtedness of any of Holdings, the Borrowers or any of their Subsidiaries (including any PPP Loan) shall be included in the calculation of "***Net Income***" or "***EBITDA***" with respect to any period.

(c) The definition of "***Interest Expense***" set forth in Section 1.1 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

***"Interest Expense"*** means, for any period for which the amount thereof is to be determined, the consolidated interest expense of Holdings, the Borrowers and their Subsidiaries, including (i) all interest on Indebtedness (including imputed interest related to Capital Leases); ***provided***, with respect to the PPP Loan, so long as forgiveness of any portion of the PPP Loan has not been denied or is no longer available due to the failure to timely submit documentation necessary to qualify for contingent forgiveness under the PPP Legislation, such portion shall be disregarded for purposes of calculating Interest Expense under subsection (a) of the definition of Fixed Charges (it being further understood and agreed that on and after the date that is six (6) months following the closing date of the PPP Loan (or such later date as agreed to in writing byAgent in its reasonable discretion) Interest Expense for purposes of subsection (a) of the definition of Fixed Charges will be deemed to include all Interest Expense scheduled to be paid by the Loan Parties in respect of the PPP Loan that remains outstanding (excluding any portion of the PPP Loan (x) that has been actually forgiven pursuant to the PPP Legislation or (y) for which forgiveness has not been denied and the Loan Parties reasonably expect in good faith to be forgiven pursuant to the PPP Legislation), (ii) all amortization of debt discount and expense, (iii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances and (iv) Swap Obligations of such Person and its Subsidiaries, to the extent required to be reflected on the income statement of such Person on a consolidated basis in accordance with GAAP.

(d) The definition of "***Permitted Indebtedness***" set forth in Section 1.1 of the Loan Agreement is hereby amended to delete "and" before subclause (r) and replace it with a ";" and add "and" after subclause (r) and insert a subclause (s) at the end of such definition to read in its entirety as follow:

(s) unsecured Indebtedness in respect of a PPP Loan made to one or more of the Loan Parties under the PPP Legislation in an aggregate principal amount not to exceed $3,273,627 (but for the avoidance of doubt, not any refinancing thereof)

(e) Section 7.15(a) of the Loan Agreement is hereby amended to insert a new proviso at the end of such subsection to read in its entirety as follows:

***provided***; solely with respect to the annual financial statements for fiscal year ended December 31, 2019, such financial statement shall be delivered by June 30, 2020, including a copy of the consolidated and consolidating audited financial statements, including balance sheet, related statements of operations, and statements of cash flows, of Holdings, the Borrowers and their Subsidiaries for such fiscal year, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally recognized auditor that is not subject to qualification as to "going concern" or the scope of such audit other than solely with respect to, or resulting solely from, an upcoming maturity date under the Term Loans, accompanied by a certificate of a Responsible Officer of the Borrower Agent which shall state, in the name and on behalf of the Borrower Representative, that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of Holdings, the Borrowers and their Subsidiaries in accordance with GAAP for such period.

(f) Article VII of the Loan Agreement is hereby amended to insert a new Section 7.33 in the appropriate numerical location therein to read in its entirety as follows:

**7.33. PPP Loans.**

**(**a) The Loan Parties shall (i) cause all proceeds of the PPP Loan to be deposited into the PPP Disbursement Account, (ii) not cause any other cash orcash equivalents to be deposited into the PPP Disbursement Account, and (iii) use the proceeds of the PPP Loan exclusively for, and withdraw funds from the PPP Disbursement Account exclusively for, eligible purposes under the PPP Legislation.

(b) The Loan Parties shall comply in all material respects with the terms of the PPP Legislation, the terms of the PPP Loan and the terms of any promissory note, loan agreement or other similar agreement or instrument entered into in respect of the PPP Loan.

(c) [Reserved].

(d) The Loan Parties shall, not less than two (2) Business Days following the submission of an application for forgiveness of a PPP Loan, deliver a copy of such application to the Agent, and (ii) within two Business Days following receipt or delivery of any correspondence, notice or other written information from or to any PPP Lender or the SBA, deliver a copy of such correspondence to the Agent, notice or other written information.

(e) No Loan Party shall amend, modify or otherwise change any of the provisions of the PPP Loan or of any instrument or agreement relating to the PPP Loan if such amendment, modification or change would shorten the final maturity or average life to maturity of, or require any payment to be made earlier than the date originally scheduled on, the PPP Loan, would increase the interest rate applicable to the PPP Loan, would add any covenant or event of default or would otherwise be adverse to the Lenders in any respect.

(f) Other than (i) as a result of the forgiveness of the PPP Loan by the PPP Lender in accordance with the PPP Legislation, (ii) pursuant to the terms of the promissory note and other documents, if any, evidencing the PPP Loan, or (iii) repayment of the PPP Loan in full or in part if the Loan Parties determine that repayment is necessary to comply with the PPP Legislation or otherwise to comply with applicable law, no Loan Party shall make any voluntary or optional payment, prepayment, redemption, defeasance, sinking fund payment or other acquisition for value of the PPP Loan, or refund, refinance, replace or exchange any other Indebtedness for the PPP Loan.

(g) Clause (c)(i) of Section 11.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

(i) If any Loan Party or any Other Obligor defaults in the due observance or performance of any covenant, condition or agreement contained in Section 5.2, 6.1, 6.6, 6.7, 7.2 (limited to the last sentence of Section 7.2), 7.3, 7.7, 7.8, 7.11(c),7.13, 7.14, 7.15, 7.23, 7.25, 7.26, 7.27, 7.30, 7.31, 7.32, 7.33, 8 or 9; or

**SECTION 3**. Representations, Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders;

(b) on the Fourth Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4**. Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "Fourth Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request;

(b) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent; and

(c) The Amendment No. 7 Effective Date shall have occurred contemporaneously with respect to the Term Loan.

**SECTION 6.** Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

**SECTION 8**. Effect of Amendment; Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents, in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents, and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non- compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9**. Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10.** Release**. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TOREPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11.** Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12**. Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13**. Execution in Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

**LENDER:**

**ENCINA BUSINESS CREDIT SPV, LLC,** a
Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**AGENT:**

**ENCINA BUSINESS CREDIT, LLC,**
a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**[Signature Pages Continue]**

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**SUNBLASTER, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**SUNBLASTER HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**HYDROFARM CANADA, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**Exhibit 10.26**

**FIFTH AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This **FIFTH AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of May 30, 2020, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC**, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), and **HYDROFARM, LLC**, a California limited liability company, **SUNBLASTER LLC**, a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC**, a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD**., a British Columbia company and **HYDROFARM CANADA, LLC**, a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), and **EHH HOLDINGS, LLC** a Delaware limited liability company ("EHH") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH**:

**WHEREAS**, Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 ( the "Original Loan Agreement");

**WHERAS,** the Original Loan Agreement was amended pursuant to that certain First Amendment to Loan and Security Agreement dated as of October 15, 2019 (the "First Amendment"), that certain Second Amendment to Loan and Security Agreement dated as of November 26, 2019 (the "Second Amendment"), that certain Second Amendment to Loan and Security Agreement dated as of April 3, 2020 (the "Third Amendment") and that certain Fourth Amendment dated May 29, 2020 (the "Fourth Amendment") ;

**WHEREAS**, Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to further amend the Original Loan Agreement as amended by the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment (the "Loan Agreement") as set forth in this Amendment; and

**WHEREAS**, Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein;

**NOW THEREFORE**, in consideration of the premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1**. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement, as amended hereby.

**SECTION 2**. Amendments.

(a) Upon the Fifth Amendment Effective Date, the following definitions are hereby added to Section 1.1 of the Loan Agreement in a manner that maintains alphabetical order:

"'***Fifth Amendment Effective Date"*** means the Closing Date."

() The text of Section 9.2 of the Loan Agreement is hereby is hereby amended and restated to read in its entirety as follows:

The Loan Parties shall not make any Capital Expenditures if, after giving effect to such Capital Expenditures, the aggregate cost of all Capital Expenditures of the Loan Parties would exceed $750,000 during any Fiscal Year.

**SECTION 3**. Representations, Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders;

(b) on the Fifth Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4**. Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "Fifth Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request; and

(b) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent.

**SECTION 6.** Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

**SECTION 8**. Effect of Amendment; Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents, in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents, and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non- compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9**. Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10**. Release. **EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11.** Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12.** Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13**. Execution in Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

**LENDER:**

**ENCINA BUSINESS CREDIT SPV, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**AGENT:**

**ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**[Signature Pages Continue]**

**HYDROFARM CANADA, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**Borrowers:**

**HYDROFARM, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**SUNBLASTER, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**SUNBLASTER HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPPLIES LTD.**

By: /s/ B. John Lindeman

Name: B. John Lindeman

Its: CFO

**Exhibit 10.27**

**SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This **SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "Amendment"), is dated as of September 30, 2020, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), **ENCINA BUSINESS CREDIT, LLC,** a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity,"Agent"), and **HYDROFARM, LLC,** a California limited liability company, **SUNBLASTER LLC,** a Delaware limited liability company, **SUNBLASTER HOLDINGS ULC,** a British Columbia unlimited liability company, and **EDDI'S WHOLESALE GARDEN SUPPLIES LTD.,** a British Columbia company and **HYDROFARM CANADA, LLC,** a Delaware limited liability company (each a "Borrower" and collectively the "Borrowers"), and **HYDROFARM HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), and **EHH HOLDINGS, LLC** a Delaware limited liability company ("EHH") (Holdings and EHH each a "Loan Party Obligor" and collectively the "Loan Party Obligors").

**WITNESSETH:**

**WHEREAS,** Borrowers, Loan Party Obligors, Lenders and Agent are parties to that certain Loan and Security Agreement, dated as of July 11, 2019 (the "Original Loan Agreement");

**WHERAS,** the Original Loan Agreement was amended pursuant to that certain First Amendment to Loan and Security Agreement dated as of October 15, 2019 (the "First Amendment"), that certain Second Amendment to Loan and Security Agreement dated as of November 26, 2019 (the "Second Amendment"), that certain Second Amendment to Loan and Security Agreement dated as of April 3, 2020 (the "Third Amendment"), that certain Fourth Amendment dated May 29, 2020 (the "Fourth Amendment") and that certain Fifth Amendment dated May 30, 2020 (the "Fifth Amendment");

**WHEREAS,** Borrowers and Loan Party Obligors have requested that Agent and the Lenders agree to further amend the Original Loan Agreement as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment (the "Loan Agreement") as set forth in this Amendment; and

**WHEREAS,** Agent and the Lenders agree to amend the Loan Agreement, in each case, subject to the terms and conditions set forth herein;

**NOW THEREFORE,** in consideration of the premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1**. Defined Terms. Unless otherwise defined herein, all capitalized terms used herein have the meanings assigned to such terms in the Loan Agreement, as amended hereby.

**SECTION 2**. Amendments.

(a) Upon the Sixth Amendment Effective Date, the following definitions are hereby added to Section 1.1 of the Loan Agreement in a manner that maintains alphabetical order:

"***Sixth Amendment Effective Date"*** means September 30, 2020."

(b) Upon the Sixth Amendment Effective Date, the amounts set forth in Section 1(d) of Annex I are hereby deleted in their entirety and replaced with: "$22,500,000"

(c) The text of Section 9.2 of the Loan Agreement is hereby is hereby amended and restated to read in its entirety as follows:

"The Loan Parties shall not make any Capital Expenditures if, after giving effect to such Capital Expenditures, the aggregate cost of all Capital Expenditures of the Loan Parties would exceed $2,000,000 during any Fiscal Year."

**SECTION 3**. Representations, Warranties and Covenants of Each of Borrower and each Loan Party Obligor. Each Borrower and Loan Party Obligors represents and warrants to the Lenders and Agent and agrees that:

(a) the representations and warranties contained in the Loan Agreement (as amended hereby) and the other outstanding Loan Documents are true and correct in all material respects at and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date, and (ii) for such changes that are a result of any act or omission specifically permitted under the Loan Agreement (or under any Loan Document), or as otherwise specifically permitted by the Lenders;

(b) on the Sixth Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing;

(c) the execution, delivery and performance of this Amendment have been duly authorized by all necessary action on the part of, and duly executed and delivered by each of Borrower and each Loan Party Obligor, and this Amendment is a legal, valid and binding obligation of each of Borrower and each Loan Party Obligor, enforceable against such Person in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law); and

(d) the execution, delivery and performance of this Amendment do not conflict with or result in a breach by Borrower or any Loan Party Obligor of any term of any material contract, loan agreement, indenture or other agreement or instrument to which such Person is a party or is subject.

**SECTION 4**. Conditions Precedent to Effectiveness of Amendment. This Amendment shall become effective (the "Sixth Amendment Effective Date") upon satisfaction of each of the following conditions:

(a) Each of Borrower, the Loan Party Obligors, the Lenders and Agent shall have executed and delivered to the Agent this Amendment and such other documents as the Agent may reasonably request; and

(b) All legal matters incident to the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Agent.

**SECTION 6**. Costs and Expenses. Borrower hereby affirms its obligation under the Loan Agreement to reimburse the Agent for all fees and expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including, but not limited to, the internal and external attorneys' fees and expenses of attorneys for the Agent with respect thereto.

**SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUCTED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.**

**SECTION 8**. Effect of Amendment: Reaffirmation of Loan Documents. (a) Nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or the other outstanding Loan Documents other than as expressly set forth herein. The Loan Agreement (as amended hereby) and each of the other outstanding Loan Documents remain and continue in full force and effect and are hereby ratified and reaffirmed in all respects. Borrower and the Loan Party Obligors hereby further ratify and reaffirm the validity and enforceability of all of the Liens heretofore granted, pursuant to and in connection with the Loan Agreement or any other Loan Document to the Agent on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Loan Documents, in accordance with their respective terms, and acknowledges that all of such Liens, and all collateral heretofore pledged as security for such Obligations, continues to be and remain collateral for such obligations from and after the date hereof. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Execution of this Amendment by the Lenders and Agent (i) shall not constitute a waiver of any Default or Event of Default that may currently exist or hereafter arise under the Loan Agreement, (ii) shall not impair, modify, restrict or limit any right, power, privilege or remedy of the Lenders or Agent with respect to any Default or Event of Default that may now exist or hereafter arise under the Loan Agreement or any of the other Loan Documents, and (iii) shall not constitute any custom, course of dealing or other basis for altering any obligation of Borrower or any Loan Party Obligor or any right, power, privilege or remedy of the Lenders and Agent under the Loan Agreement or any of the other Loan Documents.

(c) The amendments, consents, modifications and other agreements set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non- compliance with the Loan Agreement or any other Loan Document, nor operate as a waiver of any Default or Event of Default.

(d) This Amendment is a Loan Document.

(d) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement and the Loan Documents as modified or amended hereby.

**SECTION 9**. Headings. Section headings in this Amendment are included herein for convenience of any reference only and shall not constitute a part of this Amendment for any other purposes.

**SECTION 10**. Release. **EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY ACKNOWLEDGES THAT AS OF THE DATE HEREOF IT HAS NO DEFENSE, COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF THEIR LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM LENDERS, AGENT, OR THEIR RESPECTIVE AFFILIATES, PARTICIPANTS OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, MANAGERS, MEMBERS, EMPLOYEES OR ATTORNEYS. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, AND THEIR PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH PARENT OR BORROWER MAY NOW OR HEREAFTER HAVE AGAINST LENDERS, AGENT, OR THEIR RESPECTIVE PREDECESSORS, AGENTS, MANAGERS, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM THE LIABILITIES, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT. EACH OF BORROWER AND THE LOAN PARTY OBLIGORS HEREBY COVENANTS AND AGREES NEVER TO INSTITUTE ANY ACTION OR SUIT AT LAW OR IN EQUITY, NOR INSTITUTE, PROSECUTE, OR IN ANY WAY AID IN THE INSTITUTION OR PROSECUTION OF ANY CLAIM, ACTION OR CAUSE OF ACTION, RIGHTS TO RECOVER DEBTS OR DEMANDS OF ANY NATURE AGAINST LENDERS, AGENT, THEIR RESPECTIVE AFFILIATES AND PARTICIPANTS, OR THEIR RESPECTIVE SUCCESSORS, AGENTS, MANAGERS, MEMBERS, ATTORNEYS, OFFICERS, DIRECTORS, EMPLOYEES, AND PERSONAL AND LEGAL REPRESENTATIVES ARISING ON OR BEFORE THE DATE HEREOF OUT OF OR RELATED TO LENDERS' OR AGENT'S ACTIONS, OMISSIONS, STATEMENTS, REQUESTS OR DEMANDS IN ADMINISTERING, ENFORCING, MONITORING, COLLECTING OR ATTEMPTING TO COLLECT THE OBLIGATIONS OF BORROWER OR ANY LOAN PARTY OBLIGOR TO LENDERS AND AGENT, WHICH OBLIGATIONS ARE EVIDENCED BY THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS.**

**SECTION 11.** Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 12.** Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written and is the final expression and agreement of the parties hereto with respect to the subject matter hereof

**SECTION 13.** Execution in Counterparts. This Amendment may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

***[Remainder of page intentionally left blank with signature pages immediately to follow]***

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written

**LENDER:**

**ENCINA BUSINESS CREDIT SPV, LLC,** a Delware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**AGENT**

**ENCINA BUSINESS CREDIT, LLC,** a Delware limited liability company

By: /s/ Tracy Salyers
Name: Tracy Salyers
Title: Authorized Signatory

**[Signature Pages Continue]**

**Borrowers**:

**HYDROFARM, LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**SUNBLASTERS, LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**SUNBLASTERS, HOLDINGS LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**EDDI'S WHOLESALE GARDEN SUPLLIES LTD.**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**HYDROFARM CANADA, LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**Loan Party Obligors:**

**EHH HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**HYDROFARM HOLDINGS, LLC**

By: /s/ B. John Lindeman

Name: B. JOHN LINDEMAN

Its: CFO

**HYDROFARM, INC.**

April 10, 2017

Peter Wardenburg

**Re: Employment Terms**

Dear Peter:

On behalf of Hydrofarm, Inc., which shall be known as Hydrofarm, LLC at the closing of the Transaction (as defined below) (the "**Company**"), I am pleased to offer you employment at the Company on the terms set forth in this offer letter agreement (the "**Agreement**"), which will govern your employment with the Company. As you know, the Company is entering into a Securities Purchase Agreement (the "**Purchase Agreement**"), dated April 10, 2017, by and among Hydrofarm Holdings LLC (the "**Buyer**"), Hydrofarm, Inc. Employee Stock Ownership Plan and Trust, as amended and restated effective January 1, 2013 and all amendments thereto, the Wardenburg 2009 Family Trust, and PBCO, Inc., a Delaware corporation, pursuant to the Joinder (as defined in the Purchase Agreement), pursuant to which the Buyer will purchase all of the issued and outstanding membership interests of Hydrofarm, LLC (the "**Transaction**"). You acknowledge and agree that the offer of employment herein is conditioned upon the successful closing of the Transaction, and if the Transaction does not close, this Agreement, and any offer of employment to you, will be null and void and of no effect, even if it has been executed.

It is anticipated that your employment will commence on the effective closing date of the Transaction, although you and the Company may determine an alternative date for your employment to start (such actual date of your commencement of employment shall be referred to herein as the "**Start Date**").

**1. Employment by the Company.**

(a) **Position.** You will serve as the Company's President and Chief Executive Officer. During the term of your employment with the Company, you will devote your best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies.

(b) **Duties and Location.** You will perform those duties and responsibilities as are customary for your position, as you have been performing in your employment with the Company prior to the Transaction, and as may be directed by Company's Board of Directors (the "**Board**"), to whom you will report. Your primary office location will be the Company's offices in Petaluma, California. Notwithstanding the foregoing, the Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, and to require reasonable business travel. The Company may modify your job title and duties as it deems necessary and appropriate in light of the Company's needs and interests from time to time.

**2. Base Salary and Employee Benefits.**

(a) **Salary.** You will receive for services to be rendered hereunder base salary paid at no less than the rate of $440,000 per year. Your base salary will be paid, less standard payroll deductions and tax withholdings, on the Company's ordinary payroll cycle. As an exempt salaried employee, you will be required to work the Company's normal business hours, and such additional time as appropriate for your work assignments and position, and you will not be entitled to overtime compensation.

(b) **Benefits.** As a regular full-time employee, you will be eligible to participate in the Company's standard employee benefits (pursuant to the terms and conditions of the benefit plans and applicable policies), which the Company agrees will be at the same level as or increased from the benefits provided during your employment with Hydrofarm, Inc. as of prior to the Transaction, and which will include, but not be limited to: paid holidays; paid sick time; paid vacation time; medical, dental and vision insurance, group life insurance; short-term and long-term disability insurance; a 401(k) plan; and supplemental benefits through BeniComp Insurance Company. Such benefits are or will be described in summary plan descriptions and policies that will be available or provided to you by the Company.

(c) **Gross-Up Payment.** The Company will provide you with reimbursements for auto lease payments as set forth in this Section 2(c). With respect to any such reimbursements the receipt of which would constitute taxable income to you, the Company shall pay you a payment (a "**Gross-Up Payment**") in an amount such that after payment by you of any additional tax with respect to the receipt of reimbursements of your expenses, together with all taxes imposed on you with respect to the receipt of the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the additional tax imposed upon your receipt of such reimbursements (such that the net after-tax cost to you of the additional tax on the reimbursements is zero). The Gross-Up Payment, if any, shall be made by the end of the taxable year that immediately follows the taxable year in which the taxes on the related reimbursements are remitted to the applicable taxing authorities. With regard to any reimbursements under this Section 2(c) that constitute a "deferral of compensation," within the meaning of Treasury Regulation Section 1.409A-1(b), (i) the amount of expenses eligible for reimbursement during any calendar year shall not affect the expenses eligible for reimbursement in any other calendar year, (ii) such reimbursements shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement shall not be subject to liquidation or exchange for another benefit.

(d) **Giants Tickets.** Throughout your employment with the Company, for each of those San Francisco Giants games to which the Company has tickets, you will have priority to choose who uses at least two (2) of those tickets. Upon your employment termination, you will be allowed to purchase at the original acquired value at least two (2) season ticket licenses of your choice from the Company and will agree to share/allocate the availability in conjunction with the rest of the seats over the season as per past custom and practice for three years.

(e) **Equity Awards.** You shall be granted the equity award set forth as ***Exhibit C*** hereto.

**3.** **Annual Bonus.** You will be eligible to earn an annual performance and retention bonus of up to twenty- five percent (25%) of your base salary rate (the "**Annual Bonus**"). The Annual Bonus will be based upon the Board's assessment of your performance and the Company's attainment of goals as mutually agreed between you and the Board. Bonus payments, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Board will determine whether you have earned an Annual Bonus, and the amount of any such bonus, based on the achievement of such goals. You must remain an active employee through the end of any given calendar year in order to earn an Annual Bonus for that year and any such bonus will be paid no later than March 15th of the year following the year in which your right to such amount became vested.

**4.** **Expenses.** The Company will reimburse you for reasonable travel, entertainment or other expenses incurred by you in furtherance or in connection with the performance of your duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time. Travel accommodations shall be provided consistent with prior practices.

**5. Compliance with Confidentiality Information Agreement and Company Policies.** You acknowledge that the Confidentiality and Invention Assignment Agreement which you signed in connection with your employment with Hydrofarm, Inc. (the "**Confidentiality Agreement**," a copy of which is attached hereto as ***Exhibit A***) will remain in full force and effect during your Company employment. In addition, you are required to abide by the Company's policies and procedures, as modified from time to time within the Company's discretion; *provided*, *however*, that in the event the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. Nothing in this Agreement, or your Confidentiality Agreement, is intended to or will be used in any way to limit your rights to communicate with a government agency, as provided for, protected under or warranted by applicable law.

**6. Protection of Third Party Information.** In your work for the Company, you will be expected not to make any unauthorized use or disclosure of any confidential or proprietary information, including trade secrets, of any former employer or other third party to whom you have contractual obligations to protect such information. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You represent that you are able to perform your job duties within these guidelines, and you are not in unauthorized possession of any unpublished documents, materials, electronically-recorded information, or other property belonging to any former employer or other third party to whom you have a contractual obligation to protect such property. In addition, you represent and warrant that your employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, that you will perform your duties to the Company without violating any such agreement(s), and that you have disclosed to the Company in writing any contract you have signed that may restrict your activities on behalf of the Company.

**7. At-Will Employment Relationship.** Your employment relationship with the Company is at-will. Accordingly, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company may terminate your employment at any time, with or without Cause or advance notice.

**8. Severance.** If, at any time, the Company terminates your employment without Cause (other than as a result of your death or disability) or you resign for Good Reason (either such termination referred to as a "**Qualifying Termination**"), provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then subject to Sections 10 and 11 below and your continued compliance with the terms of this Agreement (including without limitation Section 5 above), the Company will provide you with the following severance benefits (the "**Severance Benefits**"):

(a) **Cash Severance**. The Company will pay you, as cash severance, (i) an amount equal to six (6) months of your base salary in effect as of your Separation from Service date (*provided that* if your employment termination is due to your resignation for Good Reason in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction), and (ii) an amount equal to your target Annual Bonus for the calendar year in which your employment termination occurs (collectively, the "**Severance**"). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

(b) **COBRA Severance.** As an additional Severance Benefit, the Company will continue to pay the cost of your health care coverage in effect at the time of your Separation from Service for a maximum of six (6) months, either under the Company's regular health plan (if permitted), or by paying your COBRA premiums (the "**COBRA Severance**"). The Company's obligation to pay the COBRA Severance on your behalf will cease if you obtain health care coverage from another source (e.g., a new employer or spouse's benefit plan), unless otherwise prohibited by applicable law. You must notify the Company within two (2) weeks if you obtain coverage from a new source. This payment of COBRA Severance by the Company would not expand or extend the maximum period of COBRA coverage to which you would otherwise be entitled under applicable law. Notwithstanding the above, if the Company determines in its sole discretion that it cannot provide the foregoing COBRA Severance without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to you a taxable monthly payment in an amount equal to the monthly COBRA premium that you would be required to pay to continue your group health coverage in effect on the date of your termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made on the last day of each month regardless of whether you elect COBRA continuation coverage and shall end on the earlier of (x) the date upon which you obtain other coverage or (y) the last day of the twenty-fourth ($24^{th}$) calendar month following your Separation from Service date.

**9. Resignation Without Good Reason; Termination for Cause; Death or Disability.** If, at any time, you resign your employment without Good Reason, or the Company terminates your employment for Cause, or if either party terminates your employment as a result of your death or disability, you will receive your base salary accrued through your last day of employment, as well as any unused vacation (if applicable) accrued through your last day of employment. Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any Severance Benefits, other than any rights to which you are entitled under the Company's benefit programs, stock option plan or equity grant documents between you and the Company.

**10. Conditions to Receipt of Severance Benefits.** Prior to and as a condition to your receipt of the Severance Benefits described above, you shall execute and deliver to the Company an effective release of claims in favor of the Company, in substantially the form attached hereto as ***Exhibit B*** (the "**Release**") within the timeframe set forth therein, but not later than forty-five (45) days following your Separation from Service date, and allow the Release to become effective according to its terms (by not invoking any legal right to revoke it) within any applicable time period set forth therein (such latest permitted effective date, the "**Release Deadline**").

**11. Return of Company Property.** Upon the termination of your employment for any reason, as a precondition to your receipt of the Severance Benefits (if applicable), within five (5) days after your Separation from Service Date (or earlier if requested by the Company), you will return to the Company all Company documents (and all copies thereof) and other Company property within your possession, custody or control, including, but not limited to, Company files, notes, financial and operational information, customer lists and contact information, product and services information, research and development information, drawings, records, plans, forecasts, reports, payroll information, spreadsheets, studies, analyses, compilations of data, proposals, agreements, sales and marketing information, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, tablets, handheld devices, and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company, and all reproductions thereof in whole or in part and in any medium. You further agree that you will make a diligent search to locate any such documents, property and information and return them to the Company within the timeframe provided above. In addition, if you have used any personally-owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company, then within five (5) days after your Separation from Service date you must provide the Company with a computer-useable copy of such information and permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part); and you agree to provide the Company access to your system, as requested, to verify that the necessary copying and deletion is done. You shall deliver to the Company a signed statement certifying compliance with this Section 11 prior to the receipt of the Severance Benefits.

**12. Outside Activities.** Throughout your employment with the Company, you may engage in civic and not- for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or present a conflict of interest with the Company, or otherwise compete with the Company. Subject to the restrictions set forth herein and with the prior written consent of the Board, you may serve as a director of other corporations and may devote a reasonable amount of your time to other types of business or public activities not expressly mentioned in this paragraph. The Board may rescind its consent to your service as a director of all other corporations or participation in other business or public activities, if the Board, in its sole discretion, determines that such activities compromise or threaten to compromise the Company's business interests or conflict with your duties to the Company.

**13. Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

"**Cause**" for termination will mean your: (a) willful and continued failure to substantially perform your duties (other than as a result of incapacity due to physical or mental illness); (b) gross negligence or willful misconduct in the course of your employment with the Company that causes or is likely to cause material harm to the Company; (c) conviction of, or plea of guilty or *nolo contendere* to, a crime involving moral turpitude; (d) intentional, material breach of this Agreement that causes or is likely to cause material harm to the Company; (e) intentional, material violation of the written policies of the Company, to the extent you have reasonable notice of such policies, that causes or is likely to cause material harm to the Company; or (f) material fraud with respect to, or embezzlement of material funds or property belonging to, the Company. Notwithstanding the foregoing, "Cause" shall not exist with respect to the events or circumstances described in sections (a), (b), (d), (e) or (f) of this paragraph unless and until the Company has given you written notice of the applicable event or circumstance within sixty (60) days of the date the Company has actual knowledge thereof, which notice specifically delineates such claimed misconduct or breach and informs you that you are required to cure such misconduct or breach (if curable) within thirty (30) days (the "**Executive Cure Period**") of the date of such notice, and such breach is not cured to the extent curable within the Executive Cure Period. If Cause exists pursuant to the preceding sentence in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph, the Company may terminate your employment for Cause within forty-five (45) days after the end of the Executive Cure Period. If such curable misconduct or breach is cured within the Executive Cure Period, Cause shall be deemed not to exist. The Company shall not be permitted to terminate your employment for Cause in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph if the Company fails to either (x) provide written notice of the applicable event or circumstance within sixty (60) days of the date the Board (other than you, if you are a member of the Board) has actual knowledge thereof, or (y) terminate your employment within the forty-five (45)-day period following the end of the applicable Executive Cure Period.

You shall have "**Good Reason**" for resigning from employment with the Company if any of the following actions are taken by the Company without your prior written consent: (a) a material reduction in your base salary, which the parties agree is a reduction of at least ten percent (10%) of your base salary; (b) a material reduction in your position, duties, responsibilities and/or authorities; (c) relocation of your principal place of employment to a place that increases your one-way commute by more than twenty-five (25) miles as compared to your then-current principal place of employment immediately prior to such relocation; or (d) any material breach of this Agreement by the Company. In order to resign for Good Reason, you must provide written notice to the Board within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least thirty (30) days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than forty-five (45) days after the expiration of the cure period.

**14. Compliance with Section 409A.** It is intended that the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "**Code**") (Section 409A, together with any state law of similar effect, "**Section 409A**") provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the date of your Separation from Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of adverse personal tax consequences under Section 409A, the timing of the Severance Benefits shall be delayed until the earliest of: (i) the date that is six (6) months and one (1) day after your Separation from Service date, (ii) the date of your death, or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments or benefits deferred pursuant to this Section 14 shall be paid in a lump sum or provided in full by the Company (or the successor entity thereto, as applicable), and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred. If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which you have a Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline. The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

**15. Section 280G; Parachute Payments.**

(a) If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment provided pursuant to this Agreement (a "**Payment**") shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

(b) Notwithstanding any provision of subsection (a) above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for you as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

(c) Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the change in control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 15. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

(d) If you receive a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 15(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 15(a)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 15(a), you shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

**16. Dispute Resolution.** To ensure the timely and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, your employment, or the termination of your employment, including but not limited to statutory claims (including, without limitation, discrimination, harassment, wrongful termination or wage claims under the Labor Code), will be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in the San Francisco Bay Area, California, conducted by JAMS, Inc. ("**JAMS**") under the then-applicable JAMS rules (available at the following web address: http://www.jamsadr.com/rulesclauses, and which will be provided to you on request). **By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required of you if the dispute were decided in a court of law. Nothing in this letter is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

**17. Miscellaneous.** This offer is contingent upon a background check clearance, reference checks clearance, and satisfactory proof of your identity and right to work in the United States. This Agreement, together with your Confidentiality Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's or Board's discretion in this Agreement, require a written modification approved by the Company and signed by a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile and electronic image copies of signatures shall be equivalent to original signatures.

Please sign and date this Agreement and the enclosed Confidentiality Agreement and return them to me on the date hereof if you wish to accept employment at the Company under the terms described above. The offer of employment herein will expire if I do not receive this signed letter by that date. I would be happy to discuss any questions that you may have about these terms.

We are delighted to be making this offer and the Company looks forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Jeffrey Peterson
Jeffrey Peterson, Chief Financial Officer, Secretary and Treasurer

**Reviewed, Understood, and Accepted:**

| | |
|---|---|
| /s/ Peter Wardenburg | April 10, 2017 |
| Peter Wardenburg | Date |

**Exhibit A: Confidentiality and Invention Assignment Agreement**
**Exhibit B: Release**
**Exhibit C: Equity Award Agreement**

**EXHIBIT A**
**PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

This PROPRIETARY INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (this "Agreement"), dated as of April ____, 2017 (the "Effective Date"), is made and entered into by and between (i) Hydrofarm, Inc., a California corporation ("Company"), and (ii) _____, an individual resident in the State of _____ ("Employee").

**AGREEMENT**

In consideration of Employee's employment with Company, Employee's receipt of the compensation paid to Employee by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Employment; Compensation**

(a) Employee understands and acknowledges that Employee's employment with the Company is for an unspecified duration and constitutes "at-will" employment. Employee acknowledges that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or employee, with or without notice.

(b) During the term of Employee's employment with the Company, Employee will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of Employee's employment; and, Employee will not engage in any other activities that conflict with Employee's obligations to the Company.

(c) In consideration for the covenants and obligations set forth herein, the Company will pay Employee the compensation set forth on **Appendix A**.

**2. Confidential Information**

(a) **Company Information**. During the term of Employee's employment (Employee's "Relationship with the Company"), Employee will have access to Confidential Information and Trade Secrets of the Company (collectively, the "Proprietary Information"). Employee acknowledges that all Proprietary Information that may exist from time to time is a valuable, special and unique asset of the Company, and access to and knowledge of which is essential to the performance of Employee's employment duties. Employee will keep confidential and not disclose (during the period of employment and thereafter, except that Employee is only required to hold any Proprietary Information that is not a Trade Secret in confidence for the maximum extent permitted by applicable law) to any other person or entity and will not use for Employee's own benefit or the benefit of any other person or entity (other than the Company) any Proprietary Information, except in a manner that has been expressly authorized by the formal written policies of the Company. "Confidential Information" means any Company proprietary information, technical data, or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee called or with whom Employee became acquainted during the term of Employee's Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to Employee by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved. "Trade Secrets" means, collectively, information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) **Other Employer Information**. Employee will not improperly use or disclose to any member of the Company, or to any employee, officer, director, manager, equityholder, financing source, lender, partner, agent, contractor or representative of any member of the Company, any confidential or proprietary information (including unpublished patent applications or invention disclosures) belonging to any former employer of Employee or to any other person or entity to which Employee owes a duty of nondisclosure, unless consented to in writing by such employer, person or entity.

(c) **Third Party Information**. Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee will hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out Employee's duties to the Company consistent with the Company's agreement with such third party.

(d) **Defend Trade Secrets** Act. Notwithstanding any other provision of this Agreement to the contrary, pursuant to 18 USC Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 USC Section 1833(b) does not, however, preclude the trade secret owner from seeking breach of contract remedies.

**3. Intellectual Property**

(a) **Assignment of Intellectual Property**. Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all of Employee's right, title and interest in and to any original works of authorship, trademarks, domain names, inventions (including the right to claim priority), concepts, improvements, processes, methods or Proprietary Information , whether or not patentable or registrable under copyright or similar laws that Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of Employee's Relationship with the Company, including such intellectual property developed by Employee for the Company prior to the Effective Date (collectively referred to as "Intellectual Property") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by Employee for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. All original works of authorship that are created by Employee (solely or jointly with others) within the scope of and during the period of Employee's Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal, and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Employee hereby waives such Moral Rights and consents to any action of Company that would violate such Moral Rights in the absence of such consent.

(b) **Patent and Copyright Registrations**. Employee will assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers continues after the termination of this Agreement. In the event the Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's assistance in perfecting the rights transferred in this Agreement, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by Employee. The designation and appointment of the Company and its duly authorized officers and agents as Employee's agent and attorney in fact is deemed to be coupled with an interest and therefore irrevocable.

(c) **Maintenance of Records**. Employee will keep and maintain adequate and current written records of all Intellectual Property created by Employee (solely or jointly with others) during the term of Employee's Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) **Intellectual Property Retained and Licensed**. To the extent permitted by Section 2(b), Employee has accurately identified on Schedule 1 all ideas, methodologies, processes, inventions, discoveries and works of authorship, and all rights in any trademarks, service marks, trade secrets, copyrights, and patents, that Employee created prior to Employee's employment with the Company (collectively "Pre-Existing Work Product") that may reasonably relate to the current or future business of the Company. Except as provided herein, Employee will retain all right, title and interest in and to such Pre-Existing Work Product. Employee will promptly disclose to the Company any modifications or improvements to any Pre-Existing Work Product that fall within the definition of Intellectual Property (and hereby assigns rights thereto to the Company pursuant to Section 3(a)). If Employee, during the course of or resulting from employment with the Company, uses, creates, or otherwise provides Confidential Information, Intellectual Property or other works that incorporate or reasonably require the use of any of Employee's Pre-Existing Work Product, then Employee will promptly disclose such and hereby grants the Company an unrestricted, royalty-free, perpetual, irrevocable, transferable, license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit any and all such Pre-Existing Work Product, to the extent such grant of rights does not conflict with any contractual obligations of Employee existing prior to the Effective Date.

(e) **Exception to Assignments.** The foregoing provisions of this Agreement requiring assignment of Intellectual Property to the Company do not apply to any invention or Intellectual Property that cannot be assigned to the Company under the laws of the state in which Employee resides, and the notices set forth as **Appendix B** pertaining to Employee's state of residence applies to Employee and any such inventions and Intellectual Property.

(f) **Return of Company Documents**. At the time of leaving the employ of the Company and at other times as requested by Company, Employee will deliver to the Company (and will not keep in Employee's possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by Employee pursuant to Employee's Relationship with the Company or otherwise belonging to the Company or its successors or assigns. In the event of the termination of Employee's Relationship with the Company, Employee agrees to execute and deliver the "Termination Certificate" attached hereto as **Appendix C**.

**4. Notification of New Employer**

In the event that Employee leaves the employ of the Company, Employee hereby grants consent to notification by the Company to Employee's new employer or consulting client of Employee's rights and obligations under this Agreement.

**5. No Solicitation of Employees**

In consideration for Employee's Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, Employee agrees that, during the period of Employee's Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, Employee will not solicit the employment of any person who is then employed by the Company (as an employee or consultant), on behalf of Employee or any other person, firm, corporation, association or other entity, directly or indirectly.

**6. Representations and Warranties**

Employee represents and warrants that Employee's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's Relationship with the Company. Employee has not entered into, and Employee will not enter into, any oral or written agreement in conflict herewith. Employee agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement.

**7. Equitable Relief**

Any disputes relating to or arising out of a breach of the covenants contained in this Agreement may cause the Company or Employee, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. No bond or other security is required in obtaining such equitable relief (unless such bond or security is otherwise required by law, in which event, Company and Employee hereby agree that a $5,000 US bond will be sufficient) and hereby consents to the issuance of such injunction and to the ordering of specific performance.

**8. General Provisions**

(a) **Governing Law; Consent to Personal Jurisdiction**. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement will be governed by and construed in accordance with the domestic laws of Employee's residence as of the Effective Date of this Agreement (as identified in the caption of this Agreement), without giving effect to any choice or conflict of law provision or rule (whether of such state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than such state. Employee hereby expressly consents to the nonexclusive personal jurisdiction and venue of the state and federal courts located in the federal Northern District of California for any lawsuit filed there by either party arising from or relating to this Agreement.

(b) **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matter herein and merges all prior discussions between the parties. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Employee's duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) **Successors and Assigns**. Employee may not assign any of Employee's rights or delegate any of its obligations under this Agreement without the prior written consent of the Company. The Company may freely assign any of the Company's rights or delegate any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors, heirs and permitted assigns of the parties

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of the date first set forth above.

By: _____
Name: _____

Address:

_____
_____
_____

**WITNESS:**

By: _____
Name: _____

Address:

_____
_____
_____

**[SIGNATURE PAGE TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT]**

**APPENDIX A**

**Compensation Disclosure**

In considerations for the covenants and obligations set forth in the Agreement, Employee expressly acknowledge the receipt and sufficiency of the following compensation (*check all that apply*):

☐ **New, revised, or renewed compensation package.**

☐ **The sum of one hundred dollars ($100).**

☐ **Other (_____).**

**APPENDIX B**

**Invention Notice Schedule**

**California**

The following notice applies to employees who live in the State of California (and this Agreement does not apply to, and You have no obligation to assign to the Company any invention that fully qualifies with the following):

*(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:*

*(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or*

*(2) Result from any work performed by the employee for the employer.*

*(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. (California Labor Code Section 2870)*

**Delaware**

The following notice applies to employees who live in the State of Delaware:

*In accordance with Delaware law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility, or trade secret information, except for those inventions that (i) relate to the Company's business or actual or demonstrably anticipated research and development, or (ii) results from any work performed by Employee for the Company. (Delaware Code Annotated, Title 19, Section 805)*

**Illinois**

The following notice applies to employees who live in the State of Illinois:

*In accordance with Illinois law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research and development, or (b) the invention results from any work performed by Employee for the Company. (Illinois Compiled Statutes, Chapter 765, Section 1060)*

**Kansas**

The following notice applies to employees who live in the State of Kansas:

*In accordance with Kansas law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely Employee's own time, unless: (a) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for the Company. (Kansas Statutes Annotated §§ 44-130)*

**Minnesota**

The following notice applies to employees who live in the State of Minnesota:

*In accordance with Minnesota law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Employee's own time, and (a) which does not relate (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Employee for the Company. (Minnesota Statutes Annotated § 181.78)*

**North Carolina**

The following notice applies to employees who live in the State of North Carolina:

*In accordance with North Carolina law, this Agreement does not apply to an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility or trade secret information except for those inventions that (a) relate to the Company's business or actual or demonstrably anticipated research or development, or (b) result from any work performed by Employee for the Company. (North Carolina General Statutes §§ 66-57.1, 66-57.2)*

**Utah**

The following notice applies to employees who live in the State of Utah:

*Employee acknowledges and agrees that this Agreement is not an employment agreement under Utah law or otherwise. However, if and only to the extent this Agreement is deemed to be covered by the restrictions set forth in Utah Code Ann. § 34-39-3, this Agreement will not apply to an invention that is created by Employee entirely on Employee's own time and is not an employment invention as defined in Utah Code Ann. § 34-39-2(1), except as permitted under Utah Code Ann. § 34-39-3.*

**Washington**

The following notice applies to employees who live in the State of Washington:

*Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Employee to assign or offer to assign to the Company any of Employee's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.*

**APPENDIX C**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm, LLC and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)- month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.**]**

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: _____ By: _____

Name: _____

**SCHEDULE 1**

**PRE-EXISTING WORK PRODUCT**

**EXHIBIT B**

**RELEASE**

In exchange for good and valuable consideration set forth in that certain Offer Letter (the "Offer Letter"), dated as of April 10, 2017 between the undersigned, _____ ("Employee") and Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), the sufficiency of which is hereby acknowledged, Employee, on behalf of himself, his executors, heirs, administrators, assigns and anyone else claiming by, through or under Employee, irrevocably and unconditionally, releases, and forever discharges Hydrofarm, its predecessors, successors and related and affiliated entities, including parents and subsidiaries, and each of their respective directors, officers, managers, shareholders, members, employees, attorneys, insurers, agents and representatives (collectively, the "Company"), from, and with respect to, any and all debts, demands, actions, causes of action, suits, covenants, contracts, wages, bonuses, damages and any and all claims, demands, liabilities, and expenses (including attorneys' fees and costs) whatsoever of any name or nature both in law and in equity that Employee now has, ever had or may in the future have against the Company with respect to Employee's employment with, or service as an officer, director or manager of, the Company (severally and collectively, "Claims"), including but not limited to, any and all Claims in tort or contract, whether by statute or common law, and any Claims relating to salary, wages, bonuses and commissions, incentive units, equity interests, the breach of any oral or written contract, unjust enrichment, promissory estoppel, misrepresentation, defamation, interference with prospective economic advantage, interference with contract, wrongful termination, intentional or negligent infliction of emotional distress, negligence, or breach of the covenant of good faith and fair dealing, and Claims arising out of, based on, or connected with the termination of Employee's employment, including any Claims for unlawful employment discrimination of any kind, whether based on age, race, sex, disability or otherwise, including specifically and without limitation, claims arising under or based on: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Americans with Disabilities Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; the Equal Pay Act of 1963; the Older Workers Benefits Protection Act; or any other local, state or federal equal employment opportunity or anti-discrimination law, statute, policy, order, ordinance or regulation affecting or relating to Claims that Employee ever had, now has, or claims to have against the Company; *provided*, *however*, that Employee does not release the Company with respect to claims arising out of or relating to its fraud, gross negligence or willful misconduct. This Release (this "Release") is not intended to release Claims which, as a matter of law or public policy, cannot be released.

By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California (and any other federal, state, or local law of similar effect) if and to the extent applicable. Section 1542 of the Civil Code of the State of California provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee warrants and represents that Employee has not assigned or transferred to any person or entity any of the Claims released by this Release, and Employee agrees to defend (by counsel of the Company's choosing), and to indemnify and hold harmless, the Company from and against any claims based on, in connection with, or arising out of any such assignment or transfer made, purported or claimed.

As further consideration for Employee's entering into the Offer Letter and this Release, the Company covenants and agrees that for one year after the date of this Release, the Company will not disparage Employee in any manner harmful to Employee's business or personal reputation. As further consideration for the Company entering into the Offer Letter and this Release, Employee covenants and agrees that for one year after the date of this Release, Employee will not disparage the Company in any manner harmful to the Company's business reputation; *provided*, that the foregoing restriction shall not be construed to limit or restrict any provision of the Offer Letter that prohibits Employee from disparaging the Company. Nothing set forth herein shall prevent Employee or the Company from providing accurate responses to requests for information if required by legal process, in connection with a government investigation, or as protected under the whistleblower provisions of federal or state law or regulation.

Notwithstanding anything to the contrary in this Release or the Offer Letter, the foregoing release shall not cover, and Employee does not intend to release, any rights of indemnification under the Company's Charter Documents (defined below) or rights to directors and officers liability insurance. The Company's charter documents include, as applicable, Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Limited Liability Company Agreement (collectively the "Charter Documents"). Employee further acknowledges that the Company's obligations under the Charter Documents with respect to indemnification are, to the extent required therein, conditioned upon receipt by the Company of an undertaking by Employee to repay any advanced or received amounts if it shall be determined by a court of competent jurisdiction by final judicial determination that Employee is not entitled to be indemnified by the Company under the Charter Documents.

**EMPLOYEE HAS READ THIS RELEASE AND BEEN PROVIDED A FULL AND AMPLE OPPORTUNITY TO STUDY IT, AND EMPLOYEE UNDERSTANDS THAT THIS IS A FULL AND COMPREHENSIVE RELEASE AND INCLUDES ANY CLAIM UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN ADVISED IN WRITING TO CONSULT WITH LEGAL COUNSEL BEFORE SIGNING THIS RELEASE AND THE OFFER LETTER, AND EMPLOYEE HAS CONSULTED WITH AN ATTORNEY. EMPLOYEE WAS GIVEN A PERIOD OF AT LEAST 21 DAYS TO CONSIDER SIGNING THIS RELEASE, AND EMPLOYEE HAS SEVEN DAYS FROM THE DATE OF SIGNING TO REVOKE EMPLOYEE'S ACCEPTANCE BY DELIVERING TIMELY NOTICE OF HIS REVOCATION TO THE COMPANY'S HUMAN RESOURCES DEPARTMENT AT ITS PRINCIPAL PLACE OF BUSINESS. EMPLOYEE IS SIGNING THIS RELEASE VOLUNTARILY, WITHOUT COERCION, AND WITH FULL KNOWLEDGE THAT IT IS INTENDED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, AS A COMPLETE AND FINAL RELEASE AND WAIVER OF ANY AND ALL CLAIMS. EMPLOYEE ACKNOWLEDGES AND AGREES THAT CERTAIN PAYMENTS SET FORTH IN THE OFFER LETTER ARE CONTINGENT UPON EMPLOYEE SIGNING THIS RELEASE AND WILL BE PAYABLE ONLY IF AND AFTER THE REVOCATION PERIOD HAS EXPIRED.**

**[**SIGNATURE PAGE FOLLOWS**]**

Employee has read this Release, fully understands it and freely and knowingly agrees to its terms.

Dated this _____day of _____, 20__.

_____

**[Employee]**

**AGREED AND ACCEPTED:**

HYDROFARM, LLC

By: _____

Title: _____

Date: _____

[SIGNATURE PAGE TO RELEASE]

**CONFIDENTIAL**

**EXHIBIT C**

**HYDROFARM HOLDINGS LLC**

**UNIT AWARD AGREEMENT**

This UNIT AWARD AGREEMENT (this "**Agreement**") is entered into as of [_____], 2017 (the "**Effective Date**"), by and between Hydrofarm Holdings LLC, a Delaware limited liability company (the "**Company**"), and [_____] (the "**Participant**"). Capitalized terms that are used but not defined herein have the meanings ascribed to them in the LLC Agreement (as defined below).

WHEREAS, the Company is governed by that certain Limited Liability Company Agreement of Hydrofarm Holdings LLC, dated as of [_____], 2017, by and among the Company and the Members from time to time party thereto, a copy of which is attached hereto as **Exhibit A** (as amended, supplemented or otherwise modified from time to time, the "**LLC Agreement**");

WHEREAS, pursuant to the LLC Agreement, the Company is authorized to grant Class P Units ("**Class P Units**") that are intended to constitute "profits interests" for applicable income tax purposes;

WHEREAS, this Agreement is intended to qualify for the exemption from registration under Section 4(2) or Rule 701 under the Securities Act or such other exemptions as may be available under the Securities Act; and

WHEREAS, as additional compensation for services provided by the Participant to the Company, the Company desires to grant Class P Units of the Company to the Participant on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**1. Defined Terms**.

"**Fair Market Value**" means the fair market value of the Class P Units, as determined in the good faith discretion of the Board as of the last day of the month completed most recently before any notice to repurchase the Class P Units is delivered.

"**Net Return**" means, as of the applicable date of determination, the return on investment realized by Hydrofarm Investment Corp., a Delaware corporation ("**Hawthorn**") with respect to all Units (regardless of class) held by Hawthorn, equal to the quotient of (a) the aggregate amount actually realized by Hawthorn and (b) the aggregate amount paid by Hawthorn for all Units held. The Net Return shall be calculated after taking into account the Class P Units, if any, which will vest pursuant to **Section 4**. Additionally, if contingent payments are to be received in connection with a Sale Event, the Net Return shall be calculated once such contingent payments are received; *provided*, *however*, that the Board in its good faith determination may, in its sole discretion, estimate such contingent payments and include such estimated contingent payments in its calculations of Net Return at the time of the Sale Event. For the avoidance of doubt, to the extent that Hawthorn owns Units indirectly through one or more other entities, such other entities shall be included within the definition of "Hawthorn" hereunder and any payment in respect of the Units owned by them shall be included for purposes of calculating Net Return.

"**Sale Event**" means any Approved Sale or, if not an Approved Sale, then any (a) Sale Transaction, (b) Corporate Conversion (*provided* such Corporate Conversion actually results in an initial Public Offering pursuant to Section 9.11 of the LLC Agreement) or (c) dissolution of the Company pursuant to Section 12.1 of the LLC Agreement.

**2. Grant of Units**. Upon the terms and conditions set forth in this Agreement, the Company hereby grants to the Participant effective as of the Effective Date (the "**Grant Date**"), [_____] Class P Units of the Company (the "**Granted Units**"). Such Granted Units are subject to the restrictions provided in this Agreement.

**3. Profits Interests; Initial Capital Account**. The Granted Units are each intended to constitute a "profits interest" in the Company within the meaning of Internal Revenue Service Revenue Procedures 93-27 and 2001-43. On the Grant Date, the Capital Account attributable to the Granted Units shall be zero.

**4. Vesting Conditions for Class P Units**. The Granted Units will vest and no longer be subject to forfeiture, in each case subject to the Participant's continued employment through the applicable vesting dates, as follows:

(a) fifty percent (50%) of the Granted Units will vest over a four-year period (the "**Time Vesting Units**"), whereby twenty-five percent (25%) of the Time Vesting Units will vest on the one (1) year anniversary of the Grant Date, with the remaining Time Vesting Units vesting in thirty-six (36) equal monthly installments thereafter, in each case subject to the Participant's continued employment through the applicable vesting dates; and

(b) fifty percent (50%) of the Granted Units will vest based on the following Company performance thresholds (the "**Performance Vesting Units**") measured as of the occurrence of a Sale Event:

(i) If the Net Return is less than 2.0:1.0, none of the Performance Vesting Units held by the Participant will vest.

(ii) If the Net Return is greater than or equal to 2.0:1.0, but less than 3.0:1.0, a portion of the Performance Vesting Units held by the Participant shall vest, which portion shall be determined by the following formula:

(A) the Net Return *minus* 2.0; *multiplied by*

(B) the total Performance Vesting Units held by the Participant.

(iii) If the Net Return is greater than or equal to 3.0:1.0, all of the Performance Vesting Units held by the Participant shall vest.

All of the Time Vesting Units will vest immediately prior to a Sale Event; provided that, in the case of each of clause (a) and (b) above, the Participant has provided continuous employment or service to the Company or any Related Company through such vesting date (the "**Vesting Schedule**"). The Board, in its sole discretion, at any time may accelerate vesting of the Granted Units. The Granted Units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as "**Vested Units**." Granted Units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as "**Unvested Units**."

**5. Forfeiture; Termination**.

**(a) Treatment of Units on Termination**.

(i) *Unvested Units*. If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary, if the Participant terminates employment with the Company or any of its Subsidiaries, or if the Participant dies or becomes disabled, the Participant shall immediately forfeit all of the Unvested Units previously granted to the Participant pursuant to this Agreement.

(ii) *Vested Units*. If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary without Cause (as defined in such Participant's employment agreement with the Company), if the Participant terminates employment with the Company or any of its Subsidiaries for Good Reason (as defined in such Participant's employment agreement with the Company) or if the Participant dies or becomes disabled, the Company may, in its sole discretion, within ninety (90) days following such termination, purchase any of the Vested Units for a price equal to the Fair Market Value on the date of termination. If the Company does not so purchase a Vested Unit, the Participant shall retain such Vested Unit. If the Participant resigns without Good Reason or the Company terminates the Participant's employment for Cause, all Vested Units previously granted to the Participant pursuant to this Agreement will be forfeited.

**(b) Effect of Forfeiture**. Upon the forfeiture of any Granted Units pursuant to this Agreement, the Participant (and the Participant's heirs, successors and assigns) shall thereafter have no right, title or interest whatsoever in such forfeited Granted Units and, if the Company does not have custody of any and all certificates representing such Granted Units, then the Participant shall immediately return to the Company any and all certificates representing the Granted Units so forfeited. The Participant will receive no payment from the Company in connection with the forfeiture of any Granted Units, including no distribution or payment in respect of the Participant's Capital Account or as a result of the Participant withdrawing or resigning as a Member of the Company. If the Granted Units granted hereunder have been forfeited, and the Participant owns no other Units of the Company, then the Participant will be automatically deemed to have withdrawn and resigned as a Member of the Company.

**6. LLC Agreement; Participation Threshold**. The terms and conditions of the Granted Units shall be as set forth herein and in the LLC Agreement. As a condition to the grant of the Granted Units pursuant to this Agreement, the Participant shall execute a counterpart signature page to the LLC Agreement, attached hereto as **Exhibit B**, agreeing to become a Member of the Company on the terms and subject to the conditions set forth in the LLC Agreement. If the Participant has a spouse, such spouse shall execute a spousal consent, attached hereto as **Exhibit C**. The Participation Threshold with respect to the Granted Units will be $**[0]** per Granted Unit.

**7. Limitations on Transfer**. In addition to the restrictions on transfer set forth in the LLC Agreement, the Participant may not Transfer any rights under this Agreement and the Participant's rights hereunder shall not be subject to pledge, encumbrance, hypothecation, execution, attachment or similar process, in each case whether voluntarily or involuntarily, by operation of law or otherwise. Any attempt to Transfer any of the rights under this Agreement or any of the Granted Units contrary to the provisions hereof and the levy of any attachment or similar process upon the Participant's rights hereunder or the Granted Units will be null and void.

**8. Representations and Warranties of the Participant**. The Participant hereby represents and warrants to the Company as of this date as follows:

(a) The Participant's residence and domicile is the State set forth on the signature page hereof and all discussions related to this Agreement and the Granted Units, and the offer and acceptance of this Agreement and the Granted Units, occurred in such State.

(b) The Participant is acquiring the Granted Units for the Participant's own account for investment and not with any view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. The Participant hereby consents to an appropriate legend on the certificates, if any, evidencing such Granted Units to such effect and to the effect that Granted Units may not be disposed of except in compliance with all federal and state securities laws. The Participant acknowledges and agrees that the Company shall have no obligation to register Granted Units granted to the Participant under federal or state securities laws either at the time the Granted Units are issued and delivered to the Participant or are proposed to be disposed of by the Participant unless otherwise expressly provided to the contrary in written agreements to which the Company and the Participant are parties.

(c) The Participant understands that (i) the Granted Units have not been registered under the Securities Act or applicable state securities laws, in reliance on exemptions from registration under the Securities Act and applicable state securities laws and (ii) no federal or state agency has made any finding or determination as to the fairness for investment, nor any recommendation or endorsement, of the Granted Units.

(d) The Participant acknowledges and agrees that (i) except as expressly provided for in this Agreement, no representations or warranties with respect to the Granted Units have been made to the Participant by the Company, any manager, officer, agent, employee, Subsidiary or Affiliate of the Company, or any other Persons, (ii) except for this Agreement and the LLC Agreement, there are no agreements, contracts, understandings or commitments between the Participant, on the one hand, and the Company, any Manager, Officer, agent, employee, Subsidiary or Affiliate of the Company, on the other hand, with respect to the Granted Units, (iii) in entering into this transaction the Participant is not relying upon any information, other than that contained in the LLC Agreement, this Agreement and the results of the Participant's own independent investigation, (iv) any future economic return with respect to the Granted Units is speculative and subject to a high degree of risk, and (v) the Granted Units are subject to forfeiture as set forth herein, are subject to dilution by the issuance of additional Units by the Company, and the Participant is not entitled to any preemptive, tag-along, information or other minority investor rights with respect to either the Granted Units, other than as expressly set forth in the LLC Agreement or as otherwise provided under applicable law.

(e) The Participant is fully informed and aware of the circumstances under which the Granted Units must be held and the restrictions upon the resale of the Granted Units under the LLC Agreement and the Securities Act and any applicable state securities laws. The Participant acknowledges that (i) the Granted Units have not been registered under the Securities Act and, therefore, cannot be sold unless they are registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration is available, (ii) the availability of an exemption may depend on factors over which the Participant or the Company has no control, (iii) unless so registered or exempt from registration the Granted Units may be required to be held for an indefinite period and (iv) the reliance of the Company and others upon the exemptions from registration referred to in the recitals is predicated in part upon this representation and warranty. The Participant understands that an exemption from registration is not presently available pursuant to Rule 144 promulgated under the Securities Act by the U.S. Securities and Exchange Commission, that there is no assurance that such exemption will ever become available to the Participant and that even if it were to become available, sales pursuant to Rule 144 would be limited in amount and could only be made in full compliance with the provisions of Rule 144.

(f) The Participant has full authority to enter into this Agreement and the LLC Agreement and perform the Participant's obligations hereunder and thereunder. This Agreement has been, and the LLC Agreement, upon the execution and delivery of the counterpart signature pages referred to in **Section 6**, will have been, duly and validly executed and delivered by the Participant and constitute or will constitute legal, valid and binding obligations of the Participant, enforceable against the Participant in accordance with their terms, subject, as to the enforcement of remedies, to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors and general principles of equity. The execution, delivery and performance of this Agreement does not and will not, and the execution and delivery of the LLC Agreement will not, conflict with, violate or cause a breach of any agreement, contract or instrument to which the Participant is a party or any judgment, order, decree or law to which the Participant is subject.

(g) The Participant understands that the Company's agreement to grant the Granted Units to the Participant is predicated, in part, on the representations, warranties and covenants of the Participant contained herein.

**9. Section 83(b) Election for Granted Units**.

(a) The Participant understands that under Section 83(a) of the Code, the excess (if any) of the Fair Market Value of the unvested Granted Units on the date the unvested Granted Units become vested over the purchase price, if any, paid for such Granted Units could be taxed as ordinary income subject to employment or self-employment taxes and tax reporting, as applicable. The unvested Granted Units are intended to qualify as "profits interests" in the Company for income tax purposes. Provided that the unvested Granted Units qualify as profits interests, the Fair Market Value of the unvested Granted Units on the Grant Date is deemed to be zero ($0) (and thus no tax generally would be payable by reason of the filing of the election). By filing a protective election within the 30-day period described below, the Participant should avoid the risk of adverse tax consequences in the future. The Participant understands that the Participant may elect under Section 83(b) of the Code to recognize income (in the amount of zero ($0)) at the time the unvested Granted Units are acquired, rather than when and as the unvested Granted Units vest. Such election (an "**83(b) Election**") must be filed with the Internal Revenue Service within thirty (30) days from the Grant Date of the Granted Units.

(b) THE FORM FOR MAKING AN 83(b) ELECTION IS ATTACHED TO THIS AGREEMENT AS **EXHIBIT D**. THE PARTICIPANT UNDERSTANDS THAT FAILURE TO FILE SUCH AN ELECTION WITHIN THE THIRTY (30)-DAY PERIOD MAY RESULT IN THE RECOGNITION OF ORDINARY INCOME BY THE PARTICIPANT AS THE FORFEITURE RESTRICTIONS LAPSE. THE PARTICIPANT FURTHER UNDERSTANDS THAT AN ADDITIONAL COPY OF SUCH ELECTION FORM SHOULD BE FILED WITH THE PARTICIPANT'S FEDERAL INCOME TAX RETURN FOR THE CALENDAR YEAR IN WHICH THE DATE OF THIS AGREEMENT FALLS. THE PARTICIPANT ACKNOWLEDGES THAT THE FOREGOING IS ONLY A SUMMARY OF THE FEDERAL INCOME TAX LAWS THAT APPLY TO THE RECEIPT OF THE UNVESTED UNITS UNDER THIS AGREEMENT AND DOES NOT PURPORT TO BE COMPLETE. THE PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY HAS DIRECTED THE PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF THE PARTICIPANT'S DEATH.

(c) The Participant agrees that the Participant will execute and deliver to the Company with this Agreement a copy of the 83(b) Election attached hereto as **Exhibit D**.

**10. Survival of Representations and Warranties; Indemnification**. All representations and warranties contained herein shall survive the execution of this Agreement and the grant of the Granted Units contemplated hereby. Each party agrees to indemnify and hold harmless the other from any liability, loss or expense (including reasonable attorneys' fees) if such party has breached any representation, warranty or agreement hereunder.

**11. Governing Law**. This Agreement is entered into under the laws of the State of Delaware and this Agreement (and any controversy or action arising out of or relating hereto) shall be construed and interpreted in accordance therewith.

**12. Discontinuance of Employment**. Neither this Agreement nor the issuance of the Granted Units shall give the Participant any right to continued employment by the Company or any of its Subsidiaries, or any of their respective Affiliates, and subject to the terms of any employment agreement among such parties, the Company, any of its Subsidiaries, and their Affiliates may terminate the Participant's employment for any reason whatsoever, with or without Cause, and otherwise deal with the Participant as an employee without regard to the effect any such action may have on the Participant's rights under this Agreement or the LLC Agreement. The Participant represents that the Participant is acquiring the Granted Units without any expectation that the ownership of any Granted Units will entitle the Participant to any rights as an employee of the Company, any of its Subsidiaries, or any of their Affiliates that would not exist if the Participant were not the owner of the Granted Units. The Participant further agrees that no change in his expectations concerning employment will have a reasonable basis unless set forth in a written agreement expressly giving the Participant additional rights as to such matters.

**13. Additional Securities**. Any additional securities issued to the Participant in respect of the Granted Units, will be subject to the terms and conditions contained herein in the same manner as the Granted Units, including forfeiture under **Section 5**.

**14. Review of Agreement; Complete Agreement**. The Participant confirms that the Participant has carefully reviewed this Agreement and the LLC Agreement and understands their terms. The Participant confirms that the Participant has consulted with legal counsel, or had ample opportunity to consult with legal counsel, representing Participant concerning this Agreement, the LLC Agreement and any other agreements between or among the Participant, the Company, and any of its or their present or prospective members, managers, officers or employees. This Agreement, together with the LLC Agreement, contains the complete agreement among the parties with respect to the grant of the Granted Units or any other incentive arrangement and supersedes all prior agreements and understandings among the parties hereto with respect hereto and thereto.

**15. Tax Acknowledgement**. Participant will pay to the Company, or the Company may deduct from any amounts payable to Participant, the amount of any applicable federal, state, local or foreign taxes that the Company determines is required to be withheld in connection with the issuance, vesting, forfeiture or purchase of the Granted Units, the distribution of any cash or other property on account of the Granted Units, or otherwise as a result of Participant's relationship with the Company. The Participant acknowledges and agrees that none of the Company, any of its Subsidiaries or any of their respective Affiliates has made any representations or warranties hereunder with respect to the economic or tax effect of the grant of the Granted Units (or any other incentive arrangements). The Participant has made his or her own independent evaluation of the Granted Units, including the economic and tax effect of them, either through his or her own analysis or through representatives such as legal counsel or accountants.

**16.** **Miscellaneous**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and, except as otherwise expressly provided herein, their respective heirs, executors, administrators, representatives, successors and permitted assigns. This Agreement may not be assigned, transferred or otherwise disposed of by the Participant, whether voluntarily or involuntarily, by operation of law or otherwise, without the prior written consent of the Company. No waiver of any provision of this Agreement is valid unless in writing and signed by the party against whom or which enforcement is sought and any such waiver is effective only in the specific instance described and for the purpose for which the waiver was given. The failure of any party to this Agreement to insist upon or enforce strict performance by any other party to this Agreement of any provision of this Agreement shall not be construed as a waiver or relinquishment of such right or related remedy. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. The word "or" will not be exclusive.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

**COMPANY:**

HYDROFARM HOLDINGS LLC

By: _____
Name: _____
Title: _____

**PARTICIPANT:**

_____
[_____]

Address of Participant: _____

_____

**Exhibit 10.29**

**HYDROFARM, LLC**

April 23, 2018

**Re: Employment Terms**

Dear Robert Clamp:

On behalf of Hydrofarm, LLC (the "**Company**"), I am pleased to offer you employment at the Company on the terms set forth in this offer letter agreement (the "**Agreement**"), which will govern your employment with the Company.

It is anticipated that your employment will commence on **April 30, 2018**, although you and the Company may determine an alternative date for your employment to start (such actual date of your commencement of employment shall be referred to herein as the "**Start Date**").

**1. Employment by the Company.**

**(a) Position.** You will serve as the Company's **Chief Operating Office**. During the term of your employment with the Company, you will devote your best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies.

**(b) Duties and Location.** You will perform those duties and responsibilities as are customary for your position, as may be directed by the Chief Executive Officer, to whom you will report. Your primary office location will be the Company's offices in Petaluma, California. Notwithstanding the foregoing, the Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, and to require reasonable business travel. The Company may modify your job title and duties as it deems necessary and appropriate in light of the Company's needs and interests from time to time.

**2. Base Salary and Employee Benefits.**

**(a) Salary.** You will receive for services to be rendered hereunder base salary paid at no less than the rate of $300,000 per year. Your base salary will be paid, less standard payroll deductions and tax withholdings, on the Company's ordinary payroll cycle. As an exempt salaried employee, you will be required to work the Company's normal business hours, and such additional time as appropriate for your work assignments and position, and you will not be entitled to overtime compensation.

**(b) Benefits.** As a regular full-time employee, you will be eligible to participate in the Company's standard employee benefits (pursuant to the terms and conditions of the benefit plans and applicable policies), which will include, but not be limited to: paid holidays; paid sick time; paid vacation time; medical, dental and vision insurance, group life insurance; short-term and long-term disability insurance; a 401(k) plan; and supplemental benefits through BeniComp Insurance Company. Such benefits are or will be described in summary plan descriptions and policies that will be available or provided to you by the Company.

**3. Annual Bonus.** You will be eligible to earn an annual performance and retention bonus of up to twenty five percent (25%) of your base salary rate (the "**Annual Bonus**"). The Annual Bonus will be based upon the assessment of the Company's Board of Directors (or its designee) (the "**Board**") of your performance and the Company's attainment of goals as mutually agreed between you and the Board. Bonus payments, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Board will determine whether you have earned an Annual Bonus, and the amount of any such bonus, based on the achievement of such goals. You must remain an active employee through the end of any given calendar year in order to earn an Annual Bonus for that year and any such bonus will be paid no later than March 15th of the year following the year in which your right to such amount became vested.

**4. Expenses.** The Company will reimburse you for reasonable travel, entertainment or other expenses incurred by you in furtherance or in connection with the performance of your duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

**5. Compliance with Proprietary Information Agreement and Company Policies.** You acknowledge that the Proprietary Information and Invention Assignment Agreement which you signed in connection with your employment with Hydrofarrn, Inc. (the "**Confidentiality Agreement**," a copy of which is attached hereto as ***Exhibit A)*** will remain in full force and effect during your Company employment. In addition, you are required to abide by the Company's policies and procedures, as modified from time to time within the Company's discretion; *provided, however,* that in the event the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. Nothing in this Agreement or your Confidentiality Agreement, is intended to or will be used in any way to limit your rights to communicate with a government agency, as provided for, protected under or warranted by applicable law.

**6. Protection of Third Party Information**. In your work for the Company, you will be expected not to make any unauthorized use or disclosure of any confidential or proprietary information, including trade secrets, of any former employer or other third party to whom you have contractual obligations to protect such information. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You represent that you are able to perform your job duties within these guidelines, and you are not in unauthorized possession of any unpublished documents, materials, electronically-recorded information, or other property belonging to any former employer or other third party to whom you have a contractual obligation to protect such property. In addition, you represent and warrant that your employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, that you will perform your duties to the Company without violating any such agreement(s), and that you have disclosed to the Company in writing any contract you have signed that may restrict your activities on behalf of the Company.

**7. At-Will Employment Relationship.** Your employment relationship with the Company is at-will. Accordingly, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company may terminate your employment at any time, with or without Cause or advance notice.

**8. Severance.** if, at any time, the Company terminates your employment without Cause (other than as a result of your death or disability) or you resign for Good Reason (either such termination referred to as a "**Qualifying Termination**"), provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then subject to Sections 10 and 11 below and your continued compliance with the terms of this Agreement (including without limitation Section 5 above), the Company will provide you with the following severance benefits (the "**Severance Benefits**"):

**(a) Cash Severance.** The Company will pay you, as cash severance, (i) an amount equal to six (6) months of your base salary in effect as of your Separation from Service date *(provided that* if your employment termination is due to your resignation for Good Reason in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction), and (ii) an amount equal to your target Annual Bonus for the calendar year in which your employment termination occurs (collectively, the "**Severance**"). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

**(b) COBRA Severance.** As an additional Severance Benefit, the Company will continue to pay the cost of your health care coverage in effect at the time of your Separation from Service for a maximum of six (6) months, either under the Company's regular health plan (if permitted), or by paying your COBRA premiums (the "**COBRA Severanc**e"). The Company's obligation to pay the COBRA Severance on your behalf will cease if you obtain health care coverage from another source (e.g., a new employer or spouse's benefit plan), unless otherwise prohibited by applicable law. You must notify the Company within two (2) weeks if you obtain coverage from a new source. This payment of COBRA Severance by the Company would not expand or extend the maximum period of COBRA coverage to which you would otherwise be entitled under applicable law. Notwithstanding the above, if the Company determines in its sole discretion that it cannot provide the foregoing COBRA Severance without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to you a taxable monthly payment in an amount equal to the monthly COBRA premium that you would be required to pay to continue your group health coverage in effect on the date of your termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made on the last day of each month regardless of whether you elect COBRA continuation coverage and shall end on the earlier of (x) the date upon which you obtain other coverage or (y) the last day of the twenty-fourth (20) calendar month following your Separation from Service date.

**9. Resignation Without Good Reason; Termination for Cause; Death or Disability.** If, at any time, you resign your employment without Good Reason, or the Company terminates your employment for Cause, or if either party terminates your employment as a result of your death or disability, you will receive your base salary accrued through your last day of employment, as well as any unused vacation (if applicable) accrued through your last day of employment. Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any Severance Benefits, other than any rights to which you are entitled under the Company's benefit programs, stock option plan or equity grant documents between you and the Company.

**10. Conditions to Receipt of Severance Benefits.** Prior to and as a condition to your receipt of the Severance Benefits described above, you shall execute and deliver to the Company an effective release of claims in favor of the Company, in substantially the form attached hereto as ***Exhibit B*** (the "**Release**") within the timeframe set forth therein, but not later than forty-five (45) days following your Separation from Service date, and allow the Release to become effective according to its terms (by not invoking any legal right to revoke it) within any applicable time period set forth therein (such latest permitted effective date, the "**Release Deadline**").

**11. Return of Company Property.** Upon the termination of your employment for any reason, as a precondition to your receipt of the Severance Benefits (if applicable), within five (5) days after your Separation from Service Date (or earlier if requested by the Company), you will return to the Company all Company documents (and all copies thereof) and other Company property within your possession, custody or control, including, but not limited to, Company files, notes, financial and operational information, customer lists and contact information, product and services information, research and development information, drawings, records, plans, forecasts, reports, payroll information, spreadsheets, studies, analyses, compilations of data, proposals, agreements, sales and marketing information, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, tablets, handheld devices, and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company, and all reproductions thereof in whole or in part and in any medium. You further agree that you will make a diligent search to locate any such documents, property and information and return them to the Company within the timeframe provided above. In addition, if you have used any personally-owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company, then upon the termination of your employment for any reason within five (5) days after your Separation from Service date, you must provide the Company with a computer-useable copy of such information and permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part); and you agree to provide the Company access to your system, as requested, to verify that the necessary copying and deletion is done. You shall deliver to the Company a signed statement certifying compliance with this Section 11 prior to the receipt of the Severance Benefits.

**12.** **Outside Activities**. Throughout your employment with the Company, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or present a conflict of interest with the Company, or otherwise compete with the Company. Subject to the restrictions set forth herein and with the prior written consent of the Board, you may serve as a director of other corporations and may devote a reasonable amount of your time to other types of business or public activities not expressly mentioned in this paragraph. The Board may rescind its consent to your service as a director of all other corporations or participation in other business or public activities, if the Board, in its sole discretion, determines that such activities compromise or threaten to compromise the Company's business interests or conflict with your duties to the Company.

**13.** **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

"**Cause**" for termination will mean your: (a) willful and continued failure to substantially perform your duties (other than as a result of incapacity due to physical or mental illness); (b) gross negligence or willful misconduct in the course of your employment with the Company that causes or is likely to cause material harm to the Company; (c) conviction of, or plea of guilty or *nolo contendere* to, a crime involving moral turpitude; (d) intentional, material breach of this Agreement that causes or is likely to cause material harm to the Company; (e) intentional, material violation of the written policies of the Company, to the extent you have reasonable notice of such policies, that causes or is likely to cause material harm to the Company; or (f) material fraud with respect to, or embezzlement of material funds or property belonging to, the Company. Notwithstanding the foregoing, "Cause" shall not exist with respect to the events or circumstances described in sections (a), (b), (d), (e) or (f) of this paragraph unless and until the Company has given you written notice of the applicable event or circumstance within sixty (60) days of the date the Company has actual knowledge thereof, which notice specifically delineates such claimed misconduct or breach and informs you that you are required to cure such misconduct or breach (if curable) within thirty (30) days (the "**Executive Cure Period**") of the date of such notice, and such breach is not cured to the extent curable within the Executive Cure Period. If Cause exists pursuant to the preceding sentence in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph, the Company may terminate your employment for Cause within forty-five (45) days after the end of the Executive Cure Period. If such curable misconduct or breach is cured within the Executive Cure Period, Cause shall be deemed not to exist. The Company shall not be permitted to terminate your employment for Cause in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph if the Company fails to either (x) provide written notice of the applicable event or circumstance within sixty (60) days of the date the Board (other than you, if you are a member of the Board) has actual knowledge thereof, or (y) terminate your employment within the forty-five (45)-day period following the end of the applicable Executive Cure Period.

You shall have "**Good Reason**" for resigning from employment with the Company if any of the following actions are taken by the Company without your prior written consent: (a) a material reduction in your base salary, which the parties agree is a reduction of at least ten percent (10%) of your base salary; (b) a material reduction in your position, duties, responsibilities and/or authorities; (c) relocation of your principal place of employment to a place that increases your one-way commute by more than twenty-five (25) miles as compared to your then-current principal place of employment immediately prior to such relocation; or (d) any material breach of this Agreement by the Company. In order to resign for Good Reason, you must provide written notice to the Board within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least thirty (30) days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than forty-five (45) days after the expiration of the cure period.

**14. Compliance with Section 409A.** It is intended that the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "Code") (Section 409A, together with any state law of similar effect, "**Section 409A**") provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and l.409A-l(b)(9). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the date of your Separation from Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of adverse personal tax consequences under Section 409A, the timing of the Severance Benefits shall be delayed until the earliest of: (i) the date that is six (6) months and one (1) day after your Separation from Service date, (ii) the date of your death, or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments or benefits deferred pursuant to this Section 14 shall be paid in a lump sum or provided in full by the Company (or the successor entity thereto, as applicable), and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred. If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which you have a Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline. The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

**15. Section 280G; Parachute Payments.**

**(a)** If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment provided pursuant to this Agreement (a "**Payment**") shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

**(b)** Notwithstanding any provision of subsection (a) above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for you as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

**(c)** Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the applicable change in control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting such change in control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section l5. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

**(d)** If you receive a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 15(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 15(a)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 15(a), you shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

**16. Dispute Resolution.** To ensure the timely and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, your employment, or the termination of your employment, including but not limited to statutory claims (including, without limitation, discrimination, harassment, wrongful termination or wage claims under the Labor Code), will be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in the San Francisco Bay Area, California, conducted by JAMS, Inc. ("**JAMS**") under the then-applicable JAMS rules (available at the following web address: http://www.jamsadr.com/rulesclauses, and which will be provided to you on request). By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required of you if the dispute were decided in a court of law. Nothing in this letter is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

**17. Miscellaneous.** This offer is contingent upon a background check clearance, reference checks clearance, and satisfactory proof of your identity and right to work in the United States. This Agreement, together with your Confidentiality Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's or Board's discretion in this Agreement, require a written modification approved by the Company and signed by a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile and electronic image copies of signatures shall be equivalent to original signatures.

Please sign and date this Agreement and the enclosed Confidentiality Agreement and return them to me on the date hereof if you wish to accept employment at the Company under the terms described above. The offer of employment herein will expire if I do not receive this signed letter by that date. I would be happy to discuss any questions that you may have about these terms.

We are delighted to be making this offer and the Company looks forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Peter Wardenburg
Peter Wardenburg, President

**Reviewed, Understood, and Accepted:**

| | |
|---|---|
| /s/ Robert Clamp | 4/30/2018 |
| Robert Clamp | Date |

**Exhibit A: Proprietary Information and Invention Assignment Agreement**
**[Exhibit B: Release]**

**EXHIBIT A**

**PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

This PROPRIETARY INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (this "Agreement"), dated as of April _____, 2017 (the "Effective Date"), is made and entered into by and between (i) Hydrofarm, Inc., a California corporation ("Company"), and (ii) _____, an individual resident in the State of _____ ("Employee").

**AGREEMENT**

In consideration of Employee's employment with Company, Employee's receipt of the compensation paid to Employee by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Employment; Compensation**

(a) Employee understands and acknowledges that Employee's employment with the Company is for an unspecified duration and constitutes "at-will" employment. Employee acknowledges that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or employee, with or without notice.

(b) During the term of Employee's employment with the Company, Employee will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of Employee's employment; and, Employee will not engage in any other activities that conflict with Employee's obligations to the Company.

(c) In consideration for the covenants and obligations set forth herein, the Company will pay Employee the compensation set forth on **Appendix A**.

**2. Confidential Information**

(a) **Company Information**. During the term of Employee's employment (Employee's "Relationship with the Company"), Employee will have access to Confidential Information and Trade Secrets of the Company (collectively, the "Proprietary Information"). Employee acknowledges that all Proprietary Information that may exist from time to time is a valuable, special and unique asset of the Company, and access to and knowledge of which is essential to the performance of Employee's employment duties. Employee will keep confidential and not disclose (during the period of employment and thereafter, except that Employee is only required to hold any Proprietary Information that is not a Trade Secret in confidence for the maximum extent permitted by applicable law) to any other person or entity and will not use for Employee's own benefit or the benefit of any other person or entity (other than the Company) any Proprietary Information, except in a manner that has been expressly authorized by the formal written policies of the Company. "Confidential Information" means any Company proprietary information, technical data, or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee called or with whom Employee became acquainted during the term of Employee's Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to Employee by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved. "Trade Secrets" means, collectively, information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) **Other Employer Information**. Employee will not improperly use or disclose to any member of the Company, or to any employee, officer, director, manager, equityholder, financing source, lender, partner, agent, contractor or representative of any member of the Company, any confidential or proprietary information (including unpublished patent applications or invention disclosures) belonging to any former employer of Employee or to any other person or entity to which Employee owes a duty of nondisclosure, unless consented to in writing by such employer, person or entity.

(c) **Third Party Information**. Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee will hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out Employee's duties to the Company consistent with the Company's agreement with such third party.

(d) **Defend Trade Secrets** Act. Notwithstanding any other provision of this Agreement to the contrary, pursuant to 18 USC Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 USC Section 1833(b) does not, however, preclude the trade secret owner from seeking breach of contract remedies.

**3. Intellectual Property**

(a) **Assignment of Intellectual Property**. Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all of Employee's right, title and interest in and to any original works of authorship, trademarks, domain names, inventions (including the right to claim priority), concepts, improvements, processes, methods or Proprietary Information , whether or not patentable or registrable under copyright or similar laws that Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of Employee's Relationship with the Company, including such intellectual property developed by Employee for the Company prior to the Effective Date (collectively referred to as "Intellectual Property") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by Employee for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. All original works of authorship that are created by Employee (solely or jointly with others) within the scope of and during the period of Employee's Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal, and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Employee hereby waives such Moral Rights and consents to any action of Company that would violate such Moral Rights in the absence of such consent.

(b) **Patent and Copyright Registrations**. Employee will assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers continues after the termination of this Agreement. In the event the Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's assistance in perfecting the rights transferred in this Agreement, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by Employee. The designation and appointment of the Company and its duly authorized officers and agents as Employee's agent and attorney in fact is deemed to be coupled with an interest and therefore irrevocable.

(c) **Maintenance of Records**. Employee will keep and maintain adequate and current written records of all Intellectual Property created by Employee (solely or jointly with others) during the term of Employee's Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) **Intellectual Property Retained and Licensed**. To the extent permitted by Section 2(b), Employee has accurately identified on Schedule 1 all ideas, methodologies, processes, inventions, discoveries and works of authorship, and all rights in any trademarks, service marks, trade secrets, copyrights, and patents, that Employee created prior to Employee's employment with the Company (collectively "Pre-Existing Work Product") that may reasonably relate to the current or future business of the Company. Except as provided herein, Employee will retain all right, title and interest in and to such Pre-Existing Work Product. Employee will promptly disclose to the Company any modifications or improvements to any Pre-Existing Work Product that fall within the definition of Intellectual Property (and hereby assigns rights thereto to the Company pursuant to Section 3(a)). If Employee, during the course of or resulting from employment with the Company, uses, creates, or otherwise provides Confidential Information, Intellectual Property or other works that incorporate or reasonably require the use of any of Employee's Pre-Existing Work Product, then Employee will promptly disclose such and hereby grants the Company an unrestricted, royalty-free, perpetual, irrevocable, transferable, license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit any and all such Pre-Existing Work Product, to the extent such grant of rights does not conflict with any contractual obligations of Employee existing prior to the Effective Date.

(e) **Exception to Assignments.** The foregoing provisions of this Agreement requiring assignment of Intellectual Property to the Company do not apply to any invention or Intellectual Property that cannot be assigned to the Company under the laws of the state in which Employee resides, and the notices set forth as **Appendix B** pertaining to Employee's state of residence applies to Employee and any such inventions and Intellectual Property.

(f) **Return of Company Documents**. At the time of leaving the employ of the Company and at other times as requested by Company, Employee will deliver to the Company (and will not keep in Employee's possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by Employee pursuant to Employee's Relationship with the Company or otherwise belonging to the Company or its successors or assigns. In the event of the termination of Employee's Relationship with the Company, Employee agrees to execute and deliver the "Termination Certificate" attached hereto as **Appendix C**.

**4. Notification of New Employer**

In the event that Employee leaves the employ of the Company, Employee hereby grants consent to notification by the Company to Employee's new employer or consulting client of Employee's rights and obligations under this Agreement.

**5. No Solicitation of Employees**

In consideration for Employee's Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, Employee agrees that, during the period of Employee's Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, Employee will not solicit the employment of any person who is then employed by the Company (as an employee or consultant), on behalf of Employee or any other person, firm, corporation, association or other entity, directly or indirectly.

**6. Representations and Warranties**

Employee represents and warrants that Employee's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's Relationship with the Company. Employee has not entered into, and Employee will not enter into, any oral or written agreement in conflict herewith. Employee agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement.

**7. Equitable Relief**

Any disputes relating to or arising out of a breach of the covenants contained in this Agreement may cause the Company or Employee, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. No bond or other security is required in obtaining such equitable relief (unless such bond or security is otherwise required by law, in which event, Company and Employee hereby agree that a $5,000 US bond will be sufficient) and hereby consents to the issuance of such injunction and to the ordering of specific performance.

**8. General Provisions**

(a) **Governing Law; Consent to Personal Jurisdiction**. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement will be governed by and construed in accordance with the domestic laws of Employee's residence as of the Effective Date of this Agreement (as identified in the caption of this Agreement), without giving effect to any choice or conflict of law provision or rule (whether of such state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than such state. Employee hereby expressly consents to the nonexclusive personal jurisdiction and venue of the state and federal courts located in the federal Northern District of California for any lawsuit filed there by either party arising from or relating to this Agreement.

(b) **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matter herein and merges all prior discussions between the parties. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Employee's duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) **Successors and Assigns**. Employee may not assign any of Employee's rights or delegate any of its obligations under this Agreement without the prior written consent of the Company. The Company may freely assign any of the Company's rights or delegate any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors, heirs and permitted assigns of the parties

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of the date first set forth above.

By: _____
Name: _____

Address:

_____
_____
_____

**WITNESS:**

By: _____
Name: _____

Address:

_____
_____
_____

**[SIGNATURE PAGE TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT]**

**APPENDIX A**

**Compensation Disclosure**

In considerations for the covenants and obligations set forth in the Agreement, Employee expressly acknowledge the receipt and sufficiency of the following compensation (*check all that apply*):

☐ **New, revised, or renewed compensation package.**

☐ **The sum of one hundred dollars ($100).**

☐ **Other (_____).**

**APPENDIX B**

**Invention Notice Schedule**

**California**

The following notice applies to employees who live in the State of California (and this Agreement does not apply to, and You have no obligation to assign to the Company any invention that fully qualifies with the following):

*(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:*

*(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or*

*(2) Result from any work performed by the employee for the employer.*

*(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. (California Labor Code Section 2870)*

**Delaware**

The following notice applies to employees who live in the State of Delaware:

*In accordance with Delaware law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility, or trade secret information, except for those inventions that (i) relate to the Company's business or actual or demonstrably anticipated research and development, or (ii) results from any work performed by Employee for the Company. (Delaware Code Annotated, Title 19, Section 805)*

**Illinois**

The following notice applies to employees who live in the State of Illinois:

*In accordance with Illinois law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research and development, or (b) the invention results from any work performed by Employee for the Company. (Illinois Compiled Statutes, Chapter 765, Section 1060)*

**Kansas**

The following notice applies to employees who live in the State of Kansas:

*In accordance with Kansas law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely Employee's own time, unless: (a) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for the Company. (Kansas Statutes Annotated §§ 44-130)*

**Minnesota**

The following notice applies to employees who live in the State of Minnesota:

*In accordance with Minnesota law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Employee's own time, and (a) which does not relate (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Employee for the Company. (Minnesota Statutes Annotated § 181.78)*

**North Carolina**

The following notice applies to employees who live in the State of North Carolina:

*In accordance with North Carolina law, this Agreement does not apply to an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility or trade secret information except for those inventions that (a) relate to the Company's business or actual or demonstrably anticipated research or development, or (b) result from any work performed by Employee for the Company. (North Carolina General Statutes §§ 66-57.1, 66-57.2)*

**Utah**

The following notice applies to employees who live in the State of Utah:

*Employee acknowledges and agrees that this Agreement is not an employment agreement under Utah law or otherwise. However, if and only to the extent this Agreement is deemed to be covered by the restrictions set forth in Utah Code Ann. § 34-39-3, this Agreement will not apply to an invention that is created by Employee entirely on Employee's own time and is not an employment invention as defined in Utah Code Ann. § 34-39-2(1), except as permitted under Utah Code Ann. § 34-39-3.*

**Washington**

The following notice applies to employees who live in the State of Washington:

*Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Employee to assign or offer to assign to the Company any of Employee's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.*

**APPENDIX C**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm, LLC and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)-month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: _____ By: _____

Name: _____

**SCHEDULE 1**

**PRE-EXISTING WORK PRODUCT**

**EXHIBIT B**

**RELEASE**

In exchange for good and valuable consideration set forth in that certain Offer Letter (the "Offer Letter"), dated as of [ ] between the undersigned, _____ ("Employee") and Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), the sufficiency of which is hereby acknowledged, Employee, on behalf of himself, his executors, heirs, administrators, assigns and anyone else claiming by, through or under Employee, irrevocably and unconditionally, releases, and forever discharges Hydrofarm, its predecessors, successors and related and affiliated entities, including parents and subsidiaries, and each of their respective directors, officers, managers, shareholders, members, employees, attorneys, insurers, agents and representatives (collectively, the "Company"), from, and with respect to, any and all debts, demands, actions, causes of action, suits, covenants, contracts, wages, bonuses, damages and any and all claims, demands, liabilities, and expenses (including attorneys' fees and costs) whatsoever of any name or nature both in law and in equity that Employee now has, ever had or may in the future have against the Company with respect to Employee's employment with, or service as an officer, director or manager of, the Company (severally and collectively, "Claims"), including but not limited to, any and all Claims in tort or contract, whether by statute or common law, and any Claims relating to salary, wages, bonuses and commissions, incentive units, equity interests, the breach of any oral or written contract, unjust enrichment, promissory estoppel, misrepresentation, defamation, interference with prospective economic advantage, interference with contract, wrongful termination, intentional or negligent infliction of emotional distress, negligence, or breach of the covenant of good faith and fair dealing, and Claims arising out of, based on, or connected with the termination of Employee's employment, including any Claims for unlawful employment discrimination of any kind, whether based on age, race, sex, disability or otherwise, including specifically and without limitation, claims arising under or based on: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Americans with Disabilities Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; the Equal Pay Act of 1963; the Older Workers Benefits Protection Act; or any other local, state or federal equal employment opportunity or anti-discrimination law, statute, policy, order, ordinance or regulation affecting or relating to Claims that Employee ever had, now has, or claims to have against the Company; *provided*, *however*, that Employee does not release the Company with respect to claims arising out of or relating to its fraud, gross negligence or willful misconduct. This Release (this "Release") is not intended to release Claims which, as a matter of law or public policy, cannot be released.

By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California (and any other federal, state, or local law of similar effect) if and to the extent applicable. Section 1542 of the Civil Code of the State of California provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee warrants and represents that Employee has not assigned or transferred to any person or entity any of the Claims released by this Release, and Employee agrees to defend (by counsel of the Company's choosing), and to indemnify and hold harmless, the Company from and against any claims based on, in connection with, or arising out of any such assignment or transfer made, purported or claimed.

As further consideration for Employee's entering into the Offer Letter and this Release, the Company covenants and agrees that for one year after the date of this Release, the Company will not disparage Employee in any manner harmful to Employee's business or personal reputation. As further consideration for the Company entering into the Offer Letter and this Release, Employee covenants and agrees that for one year after the date of this Release, Employee will not disparage the Company in any manner harmful to the Company's business reputation; *provided*, that the foregoing restriction shall not be construed to limit or restrict any provision of the Offer Letter that prohibits Employee from disparaging the Company. Nothing set forth herein shall prevent Employee or the Company from providing accurate responses to requests for information if required by legal process, in connection with a government investigation, or as protected under the whistleblower provisions of federal or state law or regulation.

Notwithstanding anything to the contrary in this Release or the Offer Letter, the foregoing release shall not cover, and Employee does not intend to release, any rights of indemnification under the Company's Charter Documents (defined below) or rights to directors and officers liability insurance. The Company's charter documents include, as applicable, Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Limited Liability Company Agreement (collectively the "Charter Documents"). Employee further acknowledges that the Company's obligations under the Charter Documents with respect to indemnification are, to the extent required therein, conditioned upon receipt by the Company of an undertaking by Employee to repay any advanced or received amounts if it shall be determined by a court of competent jurisdiction by final judicial determination that Employee is not entitled to be indemnified by the Company under the Charter Documents.

**EMPLOYEE HAS READ THIS RELEASE AND BEEN PROVIDED A FULL AND AMPLE OPPORTUNITY TO STUDY IT, AND EMPLOYEE UNDERSTANDS THAT THIS IS A FULL AND COMPREHENSIVE RELEASE AND INCLUDES ANY CLAIM UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN ADVISED IN WRITING TO CONSULT WITH LEGAL COUNSEL BEFORE SIGNING THIS RELEASE AND THE OFFER LETTER, AND EMPLOYEE HAS CONSULTED WITH AN ATTORNEY. EMPLOYEE WAS GIVEN A PERIOD OF AT LEAST 21 DAYS TO CONSIDER SIGNING THIS RELEASE, AND EMPLOYEE HAS SEVEN DAYS FROM THE DATE OF SIGNING TO REVOKE EMPLOYEE'S ACCEPTANCE BY DELIVERING TIMELY NOTICE OF HIS REVOCATION TO THE COMPANY'S HUMAN RESOURCES DEPARTMENT AT ITS PRINCIPAL PLACE OF BUSINESS. EMPLOYEE IS SIGNING THIS RELEASE VOLUNTARILY, WITHOUT COERCION, AND WITH FULL KNOWLEDGE THAT IT IS INTENDED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, AS A COMPLETE AND FINAL RELEASE AND WAIVER OF ANY AND ALL CLAIMS. EMPLOYEE ACKNOWLEDGES AND AGREES THAT CERTAIN PAYMENTS SET FORTH IN THE OFFER LETTER ARE CONTINGENT UPON EMPLOYEE SIGNING THIS RELEASE AND WILL BE PAYABLE ONLY IF AND AFTER THE REVOCATION PERIOD HAS EXPIRED.**

**[**SIGNATURE PAGE FOLLOWS**]**

Employee has read this Release, fully understands it and freely and knowingly agrees to its terms.

Dated this _____ day of _____, 20___.

**[Employee]**

**AGREED AND ACCEPTED:**

HYDROFARM, LLC

By: _____

Title: _____

Date: _____

**Exhibit 10.30**

**HYDROFARM, INC.**

April 10, 2017

Jeffrey Peterson

**Re: Employment Terms**

Dear Jeff:

On behalf of Hydrofarm, Inc., which shall be known as Hydrofarm, LLC at the closing of the Transaction (as defined below) (the "**Company**"), I am pleased to offer you employment at the Company on the terms set forth in this offer letter agreement (the "**Agreement**"), which will govern your employment with the Company. As you know, the Company is entering into a Securities Purchase Agreement (the "**Purchase Agreement**"), dated April 10, 2017, by and among Hydrofarm Holdings LLC (the "**Buyer**"), Hydrofarm, Inc. Employee Stock Ownership Plan and Trust, as amended and restated effective January 1, 2013 and all amendments thereto, the Wardenburg 2009 Family Trust, and PCBO, Inc., a Delaware corporation, pursuant to the Joinder (as defined in the Purchase Agreement), pursuant to which the Buyer will purchase all of the issued and outstanding membership interests of Hydrofarm, LLC (the "**Transaction**"). You acknowledge and agree that the offer of employment herein is conditioned upon the successful closing of the Transaction, and if the Transaction does not close, this Agreement, and any offer of employment to you, will be null and void and of no effect, even if it has been executed.

It is anticipated that your employment will commence on the effective closing date of the Transaction, although you and the Company may determine an alternative date for your employment to start (such actual date of your commencement of employment shall be referred to herein as the "**Start Date**").

**1. Employment by the Company.**

**(a) Position.** You will serve as the Company's Chief Financial Officer. During the term of your employment with the Company, you will devote your best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies.

**(b) Duties and Location.** You will perform those duties and responsibilities as are customary for your position, as you have been performing in your employment with the Company prior to the Transaction, and as may be directed by the President and Chief Executive Officer, to whom you will report. Your primary office location will be the Company's offices in Petaluma, California. Notwithstanding the foregoing, the Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, and to require reasonable business travel. The Company may modify your job title and duties as it deems necessary and appropriate in light of the Company's needs and interests from time to time.

**2. Base Salary and Employee Benefits.**

**(a) Salary.** You will receive for services to be rendered hereunder base salary paid at no less than the rate of $250,000 per year. Your base salary will be paid, less standard payroll deductions and tax withholdings, on the Company's ordinary payroll cycle. As an exempt salaried employee, you will be required to work the Company's normal business hours, and such additional time as appropriate for your work assignments and position, and you will not be entitled to overtime compensation.

**(b) Benefits.** As a regular full-time employee, you will be eligible to participate in the Company's standard employee benefits (pursuant to the terms and conditions of the benefit plans and applicable policies), which the Company agrees will be at the same level as or increased from the benefits provided during your employment with Hydrofarm, Inc. as of prior to the Transaction, and which will include, but not be limited to: paid holidays; paid sick time; paid vacation time; medical, dental and vision insurance, group life insurance; short-term and long-term disability insurance; a 401(k) plan; and supplemental benefits through BeniComp Insurance Company. Such benefits are or will be described in summary plan descriptions and policies that will be available or provided to you by the Company.

**(c) Equity Awards.** You shall be granted the equity award set forth as ***Exhibit C*** hereto.

**3. Annual Bonus.** You will be eligible to earn an annual performance and retention bonus of up to twenty-five percent (25%) of your base salary rate (the "**Annual Bonus**"). The Annual Bonus will be based upon the assessment of the Company's Board of Directors (or its designee) (the "**Board**") of your performance and the Company's attainment of goals as mutually agreed between you and the Board. Bonus payments, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Board will determine whether you have earned an Annual Bonus, and the amount of any such bonus, based on the achievement of such goals. You must remain an active employee through the end of any given calendar year in order to earn an Annual Bonus for that year and any such bonus will be paid no later than March 15th of the year following the year in which your right to such amount became vested. If your employment terminates for any reason before the end of a given calendar year, you will be eligible for a prorated Annual Bonus for such employment termination year.

**4. Expenses.** The Company will reimburse you for reasonable travel, entertainment or other expenses incurred by you in furtherance or in connection with the performance of your duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time. Travel accommodations shall be provided consistent with prior practices.

**5. Compliance with Confidentiality Information Agreement and Company Policies.** You acknowledge that the Confidentiality and Invention Assignment Agreement which you signed in connection with your employment with Hydrofarm, Inc. (the "**Confidentiality Agreement**," a copy of which is attached hereto as ***Exhibit A***) will remain in full force and effect during your Company employment. In addition, you are required to abide by the Company's policies and procedures, as modified from time to time within the Company's discretion; *provided*, *however*, that in the event the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. Nothing in this Agreement or your Confidentiality Agreement, is intended to or will be used in any way to limit your rights to communicate with a government agency, as provided for, protected under or warranted by applicable law.

**6. Protection of Third Party Information.** In your work for the Company, you will be expected not to make any unauthorized use or disclosure of any confidential or proprietary information, including trade secrets, of any former employer or other third party to whom you have contractual obligations to protect such information. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You represent that you are able to perform your job duties within these guidelines, and you are not in unauthorized possession of any unpublished documents, materials, electronically-recorded information, or other property belonging to any former employer or other third party to whom you have a contractual obligation to protect such property. In addition, you represent and warrant that your employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, that you will perform your duties to the Company without violating any such agreement(s), and that you have disclosed to the Company in writing any contract you have signed that may restrict your activities on behalf of the Company.

**7. At-Will Employment Relationship.** Your employment relationship with the Company is at-will. Accordingly, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company may terminate your employment at any time, with or without Cause or advance notice.

**8. Severance.** If, at any time, the Company terminates your employment without Cause (other than as a result of your death or disability) or you resign for Good Reason (either such termination referred to as a "**Qualifying Termination**"), provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then subject to Sections 10 and 11 below and your continued compliance with the terms of this Agreement (including without limitation Section 5 above), the Company will provide you with the following severance benefits (the "**Severance Benefits**"):

**(a) Cash Severance**. The Company will pay you, as cash severance, (i) an amount equal to six (6) months of your base salary in effect as of your Separation from Service date (*provided that* if your employment termination is due to your resignation for Good Reason in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction), and (ii) an amount equal to your target Annual Bonus for the calendar year in which your employment termination occurs (collectively, the "**Severance**"). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

**(b) COBRA Severance.** As an additional Severance Benefit, the Company will continue to pay the cost of your health care coverage in effect at the time of your Separation from Service for a maximum of six (6) months, either under the Company's regular health plan (if permitted), or by paying your COBRA premiums (the "**COBRA Severance**") . The Company's obligation to pay the COBRA Severance on your behalf will cease if you obtain health care coverage from another source (e.g., a new employer or spouse's benefit plan), unless otherwise prohibited by applicable law. You must notify the Company within two (2) weeks if you obtain coverage from a new source. This payment of COBRA Severance by the Company would not expand or extend the maximum period of COBRA coverage to which you would otherwise be entitled under applicable law. Notwithstanding the above, if the Company determines in its sole discretion that it cannot provide the foregoing COBRA Severance without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to you a taxable monthly payment in an amount equal to the monthly COBRA premium that you would be required to pay to continue your group health coverage in effect on the date of your termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made on the last day of each month regardless of whether you elect COBRA continuation coverage and shall end on the earlier of (x) the date upon which you obtain other coverage or (y) the last day of the twenty-fourth ($24^{th}$) calendar month following your Separation from Service date.

**9. Resignation Without Good Reason; Termination for Cause; Death or Disability.** If, at any time, you resign your employment without Good Reason, or the Company terminates your employment for Cause, or if either party terminates your employment as a result of your death or disability, you will receive your base salary accrued through your last day of employment, as well as any unused vacation (if applicable) accrued through your last day of employment. Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any Severance Benefits, other than any rights to which you are entitled under the Company's benefit programs, stock option plan or equity grant documents between you and the Company.

**10. Conditions to Receipt of Severance Benefits.** Prior to and as a condition to your receipt of the Severance Benefits described above, you shall execute and deliver to the Company an effective release of claims in favor of the Company, in substantially the form attached hereto as ***Exhibit B*** (the "**Release**") within the timeframe set forth therein, but not later than forty-five (45) days following your Separation from Service date, and allow the Release to become effective according to its terms (by not invoking any legal right to revoke it) within any applicable time period set forth therein (such latest permitted effective date, the "**Release Deadline**").

**11. Return of Company Property.** Upon the termination of your employment for any reason, as a precondition to your receipt of the Severance Benefits (if applicable), within five (5) days after your Separation from Service Date (or earlier if requested by the Company), you will return to the Company all Company documents (and all copies thereof) and other Company property within your possession, custody or control, including, but not limited to, Company files, notes, financial and operational information, customer lists and contact information, product and services information, research and development information, drawings, records, plans, forecasts, reports, payroll information, spreadsheets, studies, analyses, compilations of data, proposals, agreements, sales and marketing information, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, tablets, handheld devices, and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company, and all reproductions thereof in whole or in part and in any medium. You further agree that you will make a diligent search to locate any such documents, property and information and return them to the Company within the timeframe provided above. In addition, if you have used any personally-owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company, then within five (5) days after your Separation from Service date you must provide the Company with a computer-useable copy of such information and permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part); and you agree to provide the Company access to your system, as requested, to verify that the necessary copying and deletion is done. You shall deliver to the Company a signed statement certifying compliance with this Section 11 prior to the receipt of the Severance Benefits.

**12. Outside Activities.** Throughout your employment with the Company, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or present a conflict of interest with the Company, or otherwise compete with the Company. Subject to the restrictions set forth herein and with the prior written consent of the Board, you may serve as a director of other corporations and may devote a reasonable amount of your time to other types of business or public activities not expressly mentioned in this paragraph. The Board may rescind its consent to your service as a director of all other corporations or participation in other business or public activities, if the Board, in its sole discretion, determines that such activities compromise or threaten to compromise the Company's business interests or conflict with your duties to the Company.

**13. Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

"**Cause**" for termination will mean your: (a) willful and continued failure to substantially perform your duties (other than as a result of incapacity due to physical or mental illness); (b) gross negligence or willful misconduct in the course of your employment with the Company that causes or is likely to cause material harm to the Company; (c) conviction of, or plea of guilty or *nolo contendere* to, a crime involving moral turpitude; (d) intentional, material breach of this Agreement that causes or is likely to cause material harm to the Company; (e) intentional, material violation of the written policies of the Company, to the extent you have reasonable notice of such policies, that causes or is likely to cause material harm to the Company; or (f) material fraud with respect to, or embezzlement of material funds or property belonging to, the Company. Notwithstanding the foregoing, "Cause" shall not exist with respect to the events or circumstances described in sections (a), (b), (d), (e) or (f) of this paragraph unless and until the Company has given you written notice of the applicable event or circumstance within sixty (60) days of the date the Company has actual knowledge thereof, which notice specifically delineates such claimed misconduct or breach and informs you that you are required to cure such misconduct or breach (if curable) within thirty (30) days (the " **Executive Cure Period**") of the date of such notice, and such breach is not cured to the extent curable within the Executive Cure Period. If Cause exists pursuant to the preceding sentence in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph, the Company may terminate your employment for Cause within forty-five (45) days after the end of the Executive Cure Period. If such curable misconduct or breach is cured within the Executive Cure Period, Cause shall be deemed not to exist. The Company shall not be permitted to terminate your employment for Cause in respect of an event described in sections (a), (b), (d), (e) or (f) of this paragraph if the Company fails to either (x) provide written notice of the applicable event or circumstance within sixty (60) days of the date the Board (other than you, if you are a member of the Board) has actual knowledge thereof, or (y) terminate your employment within the forty-five (45)-day period following the end of the applicable Executive Cure Period.

You shall have "**Good Reason**" for resigning from employment with the Company if any of the following actions are taken by the Company without your prior written consent: (a) a material reduction in your base salary, which the parties agree is a reduction of at least ten percent (10%) of your base salary; (b) a material reduction in your position, duties, responsibilities and/or authorities; (c) relocation of your principal place of employment to a place that increases your one-way commute by more than twenty-five (25) miles as compared to your then-current principal place of employment immediately prior to such relocation; or (d) any material breach of this Agreement by the Company. In order to resign for Good Reason, you must provide written notice to the Board within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least thirty (30) days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than forty-five (45) days after the expiration of the cure period.

**14. Compliance with Section 409A.** It is intended that the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "**Code**") (Section 409A, together with any state law of similar effect, "**Section 409A**") provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the date of your Separation from Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of adverse personal tax consequences under Section 409A, the timing of the Severance Benefits shall be delayed until the earliest of: (i) the date that is six (6) months and one (1) day after your Separation from Service date, (ii) the date of your death, or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments or benefits deferred pursuant to this Section 14 shall be paid in a lump sum or provided in full by the Company (or the successor entity thereto, as applicable), and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred. If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which you have a Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline. The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

**15. Section 280G; Parachute Payments.**

**(a)** If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment provided pursuant to this Agreement (a "**Payment**") shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

**(b)** Notwithstanding any provision of subsection (a) above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for you as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

**(c)** Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the change in control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 15. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

**(d)** If you receive a Payment for which the Reduced Amount was determined pursuant to clause( x) of Section 15(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 15(a)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 15(a), you shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

**16. Dispute Resolution.** To ensure the timely and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, your employment, or the termination of your employment, including but not limited to statutory claims (including, without limitation, discrimination, harassment, wrongful termination or wage claims under the Labor Code), will be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in the San Francisco Bay Area, California, conducted by JAMS, Inc. ("**JAMS**") under the then-applicable JAMS rules (available at the following web address: http://www.jamsadr.com/rulesclauses, and which will be provided to you on request). **By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required of you if the dispute were decided in a court of law. Nothing in this letter is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

**17. Miscellaneous.** This offer is contingent upon a background check clearance, reference checks clearance, and satisfactory proof of your identity and right to work in the United States. This Agreement, together with your Confidentiality Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's or Board's discretion in this Agreement, require a written modification approved by the Company and signed by a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile and electronic image copies of signatures shall be equivalent to original signatures.

Please sign and date this Agreement and the enclosed Confidentiality Agreement and return them to me on the date hereof if you wish to accept employment at the Company under the terms described above. The offer of employment herein will expire if I do not receive this signed letter by that date. I would be happy to discuss any questions that you may have about these terms.

We are delighted to be making this offer and the Company looks forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Peter Wardenburg
Peter Wardenburg, President

**Reviewed, Understood, and Accepted:**

/s/ Jeffrey Peterson
Jeffrey Peterson

April 10, 2017
Date

**Exhibit A: Confidentiality and Invention Assignment Agreement**
**Exhibit B: Release**
**Exhibit C: Equity Award Agreement**

**EXHIBIT A**

**PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

This PROPRIETARY INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (this "Agreement"), dated as of April _____, 2017 (the "Effective Date"), is made and entered into by and between (i) Hydrofarm, Inc., a California corporation ("Company"), and (ii) _____, an individual resident in the State of _____ ("Employee").

**AGREEMENT**

In consideration of Employee's employment with Company, Employee's receipt of the compensation paid to Employee by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Employment; Compensation**

(a) Employee understands and acknowledges that Employee's employment with the Company is for an unspecified duration and constitutes "at-will" employment. Employee acknowledges that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or employee, with or without notice.

(b) During the term of Employee's employment with the Company, Employee will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of Employee's employment; and, Employee will not engage in any other activities that conflict with Employee's obligations to the Company.

(c) In consideration for the covenants and obligations set forth herein, the Company will pay Employee the compensation set forth on **Appendix A**.

**2. Confidential Information**

(a) **Company Information**. During the term of Employee's employment (Employee's "Relationship with the Company"), Employee will have access to Confidential Information and Trade Secrets of the Company (collectively, the "Proprietary Information"). Employee acknowledges that all Proprietary Information that may exist from time to time is a valuable, special and unique asset of the Company, and access to and knowledge of which is essential to the performance of Employee's employment duties. Employee will keep confidential and not disclose (during the period of employment and thereafter, except that Employee is only required to hold any Proprietary Information that is not a Trade Secret in confidence for the maximum extent permitted by applicable law) to any other person or entity and will not use for Employee's own benefit or the benefit of any other person or entity (other than the Company) any Proprietary Information, except in a manner that has been expressly authorized by the formal written policies of the Company. "Confidential Information" means any Company proprietary information, technical data, or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee called or with whom Employee became acquainted during the term of Employee's Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to Employee by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved. "Trade Secrets" means, collectively, information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) **Other Employer Information**. Employee will not improperly use or disclose to any member of the Company, or to any employee, officer, director, manager, equityholder, financing source, lender, partner, agent, contractor or representative of any member of the Company, any confidential or proprietary information (including unpublished patent applications or invention disclosures) belonging to any former employer of Employee or to any other person or entity to which Employee owes a duty of nondisclosure, unless consented to in writing by such employer, person or entity.

(c) **Third Party Information**. Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee will hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out Employee's duties to the Company consistent with the Company's agreement with such third party.

(d) **Defend Trade Secrets** Act. Notwithstanding any other provision of this Agreement to the contrary, pursuant to 18 USC Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 USC Section 1833(b) does not, however, preclude the trade secret owner from seeking breach of contract remedies.

**3. Intellectual Property**

(a) **Assignment of Intellectual Property**. Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all of Employee's right, title and interest in and to any original works of authorship, trademarks, domain names, inventions (including the right to claim priority), concepts, improvements, processes, methods or Proprietary Information , whether or not patentable or registrable under copyright or similar laws that Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of Employee's Relationship with the Company, including such intellectual property developed by Employee for the Company prior to the Effective Date (collectively referred to as "Intellectual Property") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by Employee for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. All original works of authorship that are created by Employee (solely or jointly with others) within the scope of and during the period of Employee's Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal, and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Employee hereby waives such Moral Rights and consents to any action of Company that would violate such Moral Rights in the absence of such consent.

(b) **Patent and Copyright Registrations**. Employee will assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers continues after the termination of this Agreement. In the event the Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's assistance in perfecting the rights transferred in this Agreement, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by Employee. The designation and appointment of the Company and its duly authorized officers and agents as Employee's agent and attorney in fact is deemed to be coupled with an interest and therefore irrevocable.

(c) **Maintenance of Records**. Employee will keep and maintain adequate and current written records of all Intellectual Property created by Employee (solely or jointly with others) during the term of Employee's Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) **Intellectual Property Retained and Licensed**. To the extent permitted by Section 2(b), Employee has accurately identified on Schedule 1 all ideas, methodologies, processes, inventions, discoveries and works of authorship, and all rights in any trademarks, service marks, trade secrets, copyrights, and patents, that Employee created prior to Employee's employment with the Company (collectively "Pre-Existing Work Product") that may reasonably relate to the current or future business of the Company. Except as provided herein, Employee will retain all right, title and interest in and to such Pre-Existing Work Product. Employee will promptly disclose to the Company any modifications or improvements to any Pre-Existing Work Product that fall within the definition of Intellectual Property (and hereby assigns rights thereto to the Company pursuant to Section 3(a)). If Employee, during the course of or resulting from employment with the Company, uses, creates, or otherwise provides Confidential Information, Intellectual Property or other works that incorporate or reasonably require the use of any of Employee's Pre-Existing Work Product, then Employee will promptly disclose such and hereby grants the Company an unrestricted, royalty-free, perpetual, irrevocable, transferable, license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit any and all such Pre-Existing Work Product, to the extent such grant of rights does not conflict with any contractual obligations of Employee existing prior to the Effective Date.

(e) **Exception to Assignments.** The foregoing provisions of this Agreement requiring assignment of Intellectual Property to the Company do not apply to any invention or Intellectual Property that cannot be assigned to the Company under the laws of the state in which Employee resides, and the notices set forth as **Appendix B** pertaining to Employee's state of residence applies to Employee and any such inventions and Intellectual Property.

(f) **Return of Company Documents**. At the time of leaving the employ of the Company and at other times as requested by Company, Employee will deliver to the Company (and will not keep in Employee's possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by Employee pursuant to Employee's Relationship with the Company or otherwise belonging to the Company or its successors or assigns. In the event of the termination of Employee's Relationship with the Company, Employee agrees to execute and deliver the "Termination Certificate" attached hereto as **Appendix C**.

**4. Notification of New Employer**

In the event that Employee leaves the employ of the Company, Employee hereby grants consent to notification by the Company to Employee's new employer or consulting client of Employee's rights and obligations under this Agreement.

**5. No Solicitation of Employees**

In consideration for Employee's Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, Employee agrees that, during the period of Employee's Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, Employee will not solicit the employment of any person who is then employed by the Company (as an employee or consultant), on behalf of Employee or any other person, firm, corporation, association or other entity, directly or indirectly.

**6. Representations and Warranties**

Employee represents and warrants that Employee's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's Relationship with the Company. Employee has not entered into, and Employee will not enter into, any oral or written agreement in conflict herewith. Employee agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement.

**7. Equitable Relief**

Any disputes relating to or arising out of a breach of the covenants contained in this Agreement may cause the Company or Employee, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. No bond or other security is required in obtaining such equitable relief (unless such bond or security is otherwise required by law, in which event, Company and Employee hereby agree that a $5,000 US bond will be sufficient) and hereby consents to the issuance of such injunction and to the ordering of specific performance.

**8. General Provisions**

(a) **Governing Law; Consent to Personal Jurisdiction**. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement will be governed by and construed in accordance with the domestic laws of Employee's residence as of the Effective Date of this Agreement (as identified in the caption of this Agreement), without giving effect to any choice or conflict of law provision or rule (whether of such state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than such state. Employee hereby expressly consents to the nonexclusive personal jurisdiction and venue of the state and federal courts located in the federal Northern District of California for any lawsuit filed there by either party arising from or relating to this Agreement.

(b) **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matter herein and merges all prior discussions between the parties. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Employee's duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) **Successors and Assigns**. Employee may not assign any of Employee's rights or delegate any of its obligations under this Agreement without the prior written consent of the Company. The Company may freely assign any of the Company's rights or delegate any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors, heirs and permitted assigns of the parties

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of the date first set forth above.

By: _____
Name: _____

Address:

_____
_____
_____

**WITNESS:**

By: _____
Name: _____

Address:

_____
_____
_____

**[SIGNATURE PAGE TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT]**

**APPENDIX A**

**Compensation Disclosure**

In considerations for the covenants and obligations set forth in the Agreement, Employee expressly acknowledge the receipt and sufficiency of the following compensation (*check all that apply*):

☐ **New, revised, or renewed compensation package.**

☐ **The sum of one hundred dollars ($100).**

☐ **Other (_____).**

**APPENDIX B**

**Invention Notice Schedule**

**California**

The following notice applies to employees who live in the State of California (and this Agreement does not apply to, and You have no obligation to assign to the Company any invention that fully qualifies with the following):

*(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:*

*(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or*

*(2) Result from any work performed by the employee for the employer.*

*(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. (California Labor Code Section 2870)*

**Delaware**

The following notice applies to employees who live in the State of Delaware:

*In accordance with Delaware law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility, or trade secret information, except for those inventions that (i) relate to the Company's business or actual or demonstrably anticipated research and development, or (ii) results from any work performed by Employee for the Company. (Delaware Code Annotated, Title 19, Section 805)*

**Illinois**

The following notice applies to employees who live in the State of Illinois:

*In accordance with Illinois law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research and development, or (b) the invention results from any work performed by Employee for the Company. (Illinois Compiled Statutes, Chapter 765, Section 1060)*

**Kansas**

The following notice applies to employees who live in the State of Kansas:

*In accordance with Kansas law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely Employee's own time, unless: (a) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for the Company. (Kansas Statutes Annotated §§ 44-130)*

**Minnesota**

The following notice applies to employees who live in the State of Minnesota:

*In accordance with Minnesota law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Employee's own time, and (a) which does not relate (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Employee for the Company. (Minnesota Statutes Annotated § 181.78)*

**North Carolina**

The following notice applies to employees who live in the State of North Carolina:

*In accordance with North Carolina law, this Agreement does not apply to an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility or trade secret information except for those inventions that (a) relate to the Company's business or actual or demonstrably anticipated research or development, or (b) result from any work performed by Employee for the Company. (North Carolina General Statutes §§ 66-57.1, 66-57.2)*

**Utah**

The following notice applies to employees who live in the State of Utah:

*Employee acknowledges and agrees that this Agreement is not an employment agreement under Utah law or otherwise. However, if and only to the extent this Agreement is deemed to be covered by the restrictions set forth in Utah Code Ann. § 34-39-3, this Agreement will not apply to an invention that is created by Employee entirely on Employee's own time and is not an employment invention as defined in Utah Code Ann. § 34-39-2(1), except as permitted under Utah Code Ann. § 34-39-3.*

**Washington**

The following notice applies to employees who live in the State of Washington:

*Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Employee to assign or offer to assign to the Company any of Employee's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.*

**APPENDIX C**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm, LLC and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)-month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: _____ By: _____

Name: _____

**SCHEDULE 1**

**PRE-EXISTING WORK PRODUCT**

**EXHIBIT B**

**RELEASE**

In exchange for good and valuable consideration set forth in that certain Offer Letter (the "Offer Letter"), dated as of April 10, 2017 between the undersigned, _____ ("Employee") and Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), the sufficiency of which is hereby acknowledged, Employee, on behalf of himself, his executors, heirs, administrators, assigns and anyone else claiming by, through or under Employee, irrevocably and unconditionally, releases, and forever discharges Hydrofarm, its predecessors, successors and related and affiliated entities, including parents and subsidiaries, and each of their respective directors, officers, managers, shareholders, members, employees, attorneys, insurers, agents and representatives (collectively, the "Company"), from, and with respect to, any and all debts, demands, actions, causes of action, suits, covenants, contracts, wages, bonuses, damages and any and all claims, demands, liabilities, and expenses (including attorneys' fees and costs) whatsoever of any name or nature both in law and in equity that Employee now has, ever had or may in the future have against the Company with respect to Employee's employment with, or service as an officer, director or manager of, the Company (severally and collectively, "Claims"), including but not limited to, any and all Claims in tort or contract, whether by statute or common law, and any Claims relating to salary, wages, bonuses and commissions, incentive units, equity interests, the breach of any oral or written contract, unjust enrichment, promissory estoppel, misrepresentation, defamation, interference with prospective economic advantage, interference with contract, wrongful termination, intentional or negligent infliction of emotional distress, negligence, or breach of the covenant of good faith and fair dealing, and Claims arising out of, based on, or connected with the termination of Employee's employment, including any Claims for unlawful employment discrimination of any kind, whether based on age, race, sex, disability or otherwise, including specifically and without limitation, claims arising under or based on: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Americans with Disabilities Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; the Equal Pay Act of 1963; the Older Workers Benefits Protection Act; or any other local, state or federal equal employment opportunity or anti-discrimination law, statute, policy, order, ordinance or regulation affecting or relating to Claims that Employee ever had, now has, or claims to have against the Company; *provided*, *however*, that Employee does not release the Company with respect to claims arising out of or relating to its fraud, gross negligence or willful misconduct. This Release (this "Release") is not intended to release Claims which, as a matter of law or public policy, cannot be released.

By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California (and any other federal, state, or local law of similar effect) if and to the extent applicable. Section 1542 of the Civil Code of the State of California provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee warrants and represents that Employee has not assigned or transferred to any person or entity any of the Claims released by this Release, and Employee agrees to defend (by counsel of the Company's choosing), and to indemnify and hold harmless, the Company from and against any claims based on, in connection with, or arising out of any such assignment or transfer made, purported or claimed.

As further consideration for Employee's entering into the Offer Letter and this Release, the Company covenants and agrees that for one year after the date of this Release, the Company will not disparage Employee in any manner harmful to Employee's business or personal reputation. As further consideration for the Company entering into the Offer Letter and this Release, Employee covenants and agrees that for one year after the date of this Release, Employee will not disparage the Company in any manner harmful to the Company's business reputation; *provided*, that the foregoing restriction shall not be construed to limit or restrict any provision of the Offer Letter that prohibits Employee from disparaging the Company. Nothing set forth herein shall prevent Employee or the Company from providing accurate responses to requests for information if required by legal process, in connection with a government investigation, or as protected under the whistleblower provisions of federal or state law or regulation.

Notwithstanding anything to the contrary in this Release or the Offer Letter, the foregoing release shall not cover, and Employee does not intend to release, any rights of indemnification under the Company's Charter Documents (defined below) or rights to directors and officers liability insurance. The Company's charter documents include, as applicable, Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Limited Liability Company Agreement (collectively the "Charter Documents"). Employee further acknowledges that the Company's obligations under the Charter Documents with respect to indemnification are, to the extent required therein, conditioned upon receipt by the Company of an undertaking by Employee to repay any advanced or received amounts if it shall be determined by a court of competent jurisdiction by final judicial determination that Employee is not entitled to be indemnified by the Company under the Charter Documents.

**EMPLOYEE HAS READ THIS RELEASE AND BEEN PROVIDED A FULL AND AMPLE OPPORTUNITY TO STUDY IT, AND EMPLOYEE UNDERSTANDS THAT THIS IS A FULL AND COMPREHENSIVE RELEASE AND INCLUDES ANY CLAIM UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN ADVISED IN WRITING TO CONSULT WITH LEGAL COUNSEL BEFORE SIGNING THIS RELEASE AND THE OFFER LETTER, AND EMPLOYEE HAS CONSULTED WITH AN ATTORNEY. EMPLOYEE WAS GIVEN A PERIOD OF AT LEAST 21 DAYS TO CONSIDER SIGNING THIS RELEASE, AND EMPLOYEE HAS SEVEN DAYS FROM THE DATE OF SIGNING TO REVOKE EMPLOYEE'S ACCEPTANCE BY DELIVERING TIMELY NOTICE OF HIS REVOCATION TO THE COMPANY'S HUMAN RESOURCES DEPARTMENT AT ITS PRINCIPAL PLACE OF BUSINESS. EMPLOYEE IS SIGNING THIS RELEASE VOLUNTARILY, WITHOUT COERCION, AND WITH FULL KNOWLEDGE THAT IT IS INTENDED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, AS A COMPLETE AND FINAL RELEASE AND WAIVER OF ANY AND ALL CLAIMS. EMPLOYEE ACKNOWLEDGES AND AGREES THAT CERTAIN PAYMENTS SET FORTH IN THE OFFER LETTER ARE CONTINGENT UPON EMPLOYEE SIGNING THIS RELEASE AND WILL BE PAYABLE ONLY IF AND AFTER THE REVOCATION PERIOD HAS EXPIRED.**

**[**SIGNATURE PAGE FOLLOWS**]**

Employee has read this Release, fully understands it and freely and knowingly agrees to its terms.

Dated this _____ day of _____, 20___.

**[Employee]**

**AGREED AND ACCEPTED:**

HYDROFARM, LLC

By: _____

Title: _____

Date: _____

[SIGNATURE PAGE TO RELEASE]

**CONFIDENTIAL**

**EXHIBIT C**

**HYDROFARM HOLDINGS LLC**

**UNIT AWARD AGREEMENT**

This UNIT AWARD AGREEMENT (this " **Agreement**") is entered into as of [_____], 2017 (the "**Effective Date**"), by and between Hydrofarm Holdings LLC, a Delaware limited liability company (the "**Company**"), and [_____] (the "**Participant**"). Capitalized terms that are used but not defined herein have the meanings ascribed to them in the LLC Agreement (as defined below).

WHEREAS, the Company is governed by that certain Limited Liability Company Agreement of Hydrofarm Holdings LLC, dated as of [_____], 2017, by and among the Company and the Members from time to time party thereto, a copy of which is attached hereto as **Exhibit A** (as amended, supplemented or otherwise modified from time to time, the "**LLC Agreement**");

WHEREAS, pursuant to the LLC Agreement, the Company is authorized to grant Class P Units ("**Class P Units**") that are intended to constitute "profits interests" for applicable income tax purposes;

WHEREAS, this Agreement is intended to qualify for the exemption from registration under Section 4(2) or Rule 701 under the Securities Act or such other exemptions as may be available under the Securities Act; and

WHEREAS, as additional compensation for services provided by the Participant to the Company, the Company desires to grant Class P Units of the Company to the Participant on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**1. Defined Terms**.

"**Fair Market Value**" means the fair market value of the Class P Units, as determined in the good faith discretion of the Board as of the last day of the month completed most recently before any notice to repurchase the Class P Units is delivered.

"**Net Return**" means, as of the applicable date of determination, the return on investment realized by Hydrofarm Investment Corp., a Delaware corporation ("**Hawthorn**") with respect to all Units (regardless of class) held by Hawthorn, equal to the quotient of (a) the aggregate amount actually realized by Hawthorn and (b) the aggregate amount paid by Hawthorn for all Units held. The Net Return shall be calculated after taking into account the Class P Units, if any, which will vest pursuant to **Section 4**. Additionally, if contingent payments are to be received in connection with a Sale Event, the Net Return shall be calculated once such contingent payments are received; *provided*, *however*, that the Board in its good faith determination may, in its sole discretion, estimate such contingent payments and include such estimated contingent payments in its calculations of Net Return at the time of the Sale Event. For the avoidance of doubt, to the extent that Hawthorn owns Units indirectly through one or more other entities, such other entities shall be included within the definition of "Hawthorn" hereunder and any payment in respect of the Units owned by them shall be included for purposes of calculating Net Return.

"**Sale Event**" means any Approved Sale or, if not an Approved Sale, then any (a) Sale Transaction, (b) Corporate Conversion (*provided* such Corporate Conversion actually results in an initial Public Offering pursuant to Section 9.11 of the LLC Agreement) or (c) dissolution of the Company pursuant to Section 12.1 of the LLC Agreement.

**2. Grant of Units**. Upon the terms and conditions set forth in this Agreement, the Company hereby grants to the Participant effective as of the Effective Date (the "**Grant Date**"), [_____] Class P Units of the Company (the "**Granted Units**"). Such Granted Units are subject to the restrictions provided in this Agreement.

**3. Profits Interests; Initial Capital Account**. The Granted Units are each intended to constitute a "profits interest" in the Company within the meaning of Internal Revenue Service Revenue Procedures 93-27 and 2001-43. On the Grant Date, the Capital Account attributable to the Granted Units shall be zero.

**4. Vesting Conditions for Class P Units**. The Granted Units will vest and no longer be subject to forfeiture, in each case subject to the Participant's continued employment through the applicable vesting dates, as follows:

(a) fifty percent (50%) of the Granted Units will vest over a four-year period (the "**Time Vesting Units**"), whereby twenty-five percent (25%) of the Time Vesting Units will vest on the one (1) year anniversary of the Grant Date, with the remaining Time Vesting Units vesting in thirty-six (36) equal monthly installments thereafter, in each case subject to the Participant's continued employment through the applicable vesting dates; and

(b) fifty percent (50%) of the Granted Units will vest based on the following Company performance thresholds (the "**Performance Vesting Units**") measured as of the occurrence of a Sale Event:

(i) If the Net Return is less than 2.0:1.0, none of the Performance Vesting Units held by the Participant will vest.

(ii) If the Net Return is greater than or equal to 2.0:1.0, but less than 3.0:1.0, a portion of the Performance Vesting Units held by the Participant shall vest, which portion shall be determined by the following formula:

(A) the Net Return *minus* 2.0; *multiplied by*

(B) the total Performance Vesting Units held by the Participant.

(iii) If the Net Return is greater than or equal to 3.0:1.0, all of the Performance Vesting Units held by the Participant shall vest.

All of the Time Vesting Units will vest immediately prior to a Sale Event; provided that, in the case of each of clause (a) and (b) above, the Participant has provided continuous employment or service to the Company or any Related Company through such vesting date (the " **Vesting Schedule**"). The Board, in its sole discretion, at any time may accelerate vesting of the Granted Units. The Granted Units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as "**Vested Units**." Granted Units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as "**Unvested Units**."

**5. Forfeiture; Termination**.

**(a) Treatment of Units on Termination**.

(i) *Unvested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary, if the Participant terminates employment with the Company or any of its Subsidiaries, or if the Participant dies or becomes disabled, the Participant shall immediately forfeit all of the Unvested Units previously granted to the Participant pursuant to this Agreement.

(ii) *Vested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary without Cause (as defined in such Participant's employment agreement with the Company), if the Participant terminates employment with the Company or any of its Subsidiaries for Good Reason (as defined in such Participant's employment agreement with the Company) or if the Participant dies or becomes disabled, the Company may, in its sole discretion, within ninety (90) days following such termination, purchase any of the Vested Units for a price equal to the Fair Market Value on the date of termination. If the Company does not so purchase a Vested Unit, the Participant shall retain such Vested Unit. If the Participant resigns without Good Reason or the Company terminates the Participant's employment for Cause, all Vested Units previously granted to the Participant pursuant to this Agreement will be forfeited.

**(b) Effect of Forfeiture**. Upon the forfeiture of any Granted Units pursuant to this Agreement, the Participant (and the Participant's heirs, successors and assigns) shall thereafter have no right, title or interest whatsoever in such forfeited Granted Units and, if the Company does not have custody of any and all certificates representing such Granted Units, then the Participant shall immediately return to the Company any and all certificates representing the Granted Units so forfeited. The Participant will receive no payment from the Company in connection with the forfeiture of any Granted Units, including no distribution or payment in respect of the Participant's Capital Account or as a result of the Participant withdrawing or resigning as a Member of the Company. If the Granted Units granted hereunder have been forfeited, and the Participant owns no other Units of the Company, then the Participant will be automatically deemed to have withdrawn and resigned as a Member of the Company.

**6. LLC Agreement; Participation Threshold**. The terms and conditions of the Granted Units shall be as set forth herein and in the LLC Agreement. As a condition to the grant of the Granted Units pursuant to this Agreement, the Participant shall execute a counterpart signature page to the LLC Agreement, attached hereto as **Exhibit B**, agreeing to become a Member of the Company on the terms and subject to the conditions set forth in the LLC Agreement. If the Participant has a spouse, such spouse shall execute a spousal consent, attached hereto as **Exhibit C**. The Participation Threshold with respect to the Granted Units will be $**[0]** per Granted Unit.

**7. Limitations on Transfer**. In addition to the restrictions on transfer set forth in the LLC Agreement, the Participant may not Transfer any rights under this Agreement and the Participant's rights hereunder shall not be subject to pledge, encumbrance, hypothecation, execution, attachment or similar process, in each case whether voluntarily or involuntarily, by operation of law or otherwise. Any attempt to Transfer any of the rights under this Agreement or any of the Granted Units contrary to the provisions hereof and the levy of any attachment or similar process upon the Participant's rights hereunder or the Granted Units will be null and void.

**8. Representations and Warranties of the Participant**. The Participant hereby represents and warrants to the Company as of this date as follows:

(a) The Participant's residence and domicile is the State set forth on the signature page hereof and all discussions related to this Agreement and the Granted Units, and the offer and acceptance of this Agreement and the Granted Units, occurred in such State.

(b) The Participant is acquiring the Granted Units for the Participant's own account for investment and not with any view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. The Participant hereby consents to an appropriate legend on the certificates, if any, evidencing such Granted Units to such effect and to the effect that Granted Units may not be disposed of except in compliance with all federal and state securities laws. The Participant acknowledges and agrees that the Company shall have no obligation to register Granted Units granted to the Participant under federal or state securities laws either at the time the Granted Units are issued and delivered to the Participant or are proposed to be disposed of by the Participant unless otherwise expressly provided to the contrary in written agreements to which the Company and the Participant are parties.

(c) The Participant understands that (i) the Granted Units have not been registered under the Securities Act or applicable state securities laws, in reliance on exemptions from registration under the Securities Act and applicable state securities laws and (ii) no federal or state agency has made any finding or determination as to the fairness for investment, nor any recommendation or endorsement, of the Granted Units.

(d) The Participant acknowledges and agrees that (i) except as expressly provided for in this Agreement, no representations or warranties with respect to the Granted Units have been made to the Participant by the Company, any manager, officer, agent, employee, Subsidiary or Affiliate of the Company, or any other Persons, (ii) except for this Agreement and the LLC Agreement, there are no agreements, contracts, understandings or commitments between the Participant, on the one hand, and the Company, any Manager, Officer, agent, employee, Subsidiary or Affiliate of the Company, on the other hand, with respect to the Granted Units, (iii) in entering into this transaction the Participant is not relying upon any information, other than that contained in the LLC Agreement, this Agreement and the results of the Participant's own independent investigation, (iv) any future economic return with respect to the Granted Units is speculative and subject to a high degree of risk, and (v) the Granted Units are subject to forfeiture as set forth herein, are subject to dilution by the issuance of additional Units by the Company, and the Participant is not entitled to any preemptive, tag-along, information or other minority investor rights with respect to either the Granted Units, other than as expressly set forth in the LLC Agreement or as otherwise provided under applicable law.

(e) The Participant is fully informed and aware of the circumstances under which the Granted Units must be held and the restrictions upon the resale of the Granted Units under the LLC Agreement and the Securities Act and any applicable state securities laws. The Participant acknowledges that (i) the Granted Units have not been registered under the Securities Act and, therefore, cannot be sold unless they are registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration is available, (ii) the availability of an exemption may depend on factors over which the Participant or the Company has no control, (iii) unless so registered or exempt from registration the Granted Units may be required to be held for an indefinite period and (iv) the reliance of the Company and others upon the exemptions from registration referred to in the recitals is predicated in part upon this representation and warranty. The Participant understands that an exemption from registration is not presently available pursuant to Rule 144 promulgated under the Securities Act by the U.S. Securities and Exchange Commission, that there is no assurance that such exemption will ever become available to the Participant and that even if it were to become available, sales pursuant to Rule 144 would be limited in amount and could only be made in full compliance with the provisions of Rule 144.

(f) The Participant has full authority to enter into this Agreement and the LLC Agreement and perform the Participant's obligations hereunder and thereunder. This Agreement has been, and the LLC Agreement, upon the execution and delivery of the counterpart signature pages referred to in **Section 6**, will have been, duly and validly executed and delivered by the Participant and constitute or will constitute legal, valid and binding obligations of the Participant, enforceable against the Participant in accordance with their terms, subject, as to the enforcement of remedies, to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors and general principles of equity. The execution, delivery and performance of this Agreement does not and will not, and the execution and delivery of the LLC Agreement will not, conflict with, violate or cause a breach of any agreement, contract or instrument to which the Participant is a party or any judgment, order, decree or law to which the Participant is subject.

(g) The Participant understands that the Company's agreement to grant the Granted Units to the Participant is predicated, in part, on the representations, warranties and covenants of the Participant contained herein.

**9. Section 83(b) Election for Granted Units**.

(a) The Participant understands that under Section 83(a) of the Code, the excess (if any) of the Fair Market Value of the unvested Granted Units on the date the unvested Granted Units become vested over the purchase price, if any, paid for such Granted Units could be taxed as ordinary income subject to employment or self-employment taxes and tax reporting, as applicable. The unvested Granted Units are intended to qualify as "profits interests" in the Company for income tax purposes. Provided that the unvested Granted Units qualify as profits interests, the Fair Market Value of the unvested Granted Units on the Grant Date is deemed to be zero ($0) (and thus no tax generally would be payable by reason of the filing of the election). By filing a protective election within the 30-day period described below, the Participant should avoid the risk of adverse tax consequences in the future. The Participant understands that the Participant may elect under Section 83(b) of the Code to recognize income (in the amount of zero ($0)) at the time the unvested Granted Units are acquired, rather than when and as the unvested Granted Units vest. Such election (an "**83(b) Election**") must be filed with the Internal Revenue Service within thirty (30) days from the Grant Date of the Granted Units.

(b) THE FORM FOR MAKING AN 83(b) ELECTION IS ATTACHED TO THIS AGREEMENT AS **EXHIBIT D**. THE PARTICIPANT UNDERSTANDS THAT FAILURE TO FILE SUCH AN ELECTION WITHIN THE THIRTY (30)-DAY PERIOD MAY RESULT IN THE RECOGNITION OF ORDINARY INCOME BY THE PARTICIPANT AS THE FORFEITURE RESTRICTIONS LAPSE. THE PARTICIPANT FURTHER UNDERSTANDS THAT AN ADDITIONAL COPY OF SUCH ELECTION FORM SHOULD BE FILED WITH THE PARTICIPANT'S FEDERAL INCOME TAX RETURN FOR THE CALENDAR YEAR IN WHICH THE DATE OF THIS AGREEMENT FALLS. THE PARTICIPANT ACKNOWLEDGES THAT THE FOREGOING IS ONLY A SUMMARY OF THE FEDERAL INCOME TAX LAWS THAT APPLY TO THE RECEIPT OF THE UNVESTED UNITS UNDER THIS AGREEMENT AND DOES NOT PURPORT TO BE COMPLETE. THE PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY HAS DIRECTED THE PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF THE PARTICIPANT'S DEATH.

(c) The Participant agrees that the Participant will execute and deliver to the Company with this Agreement a copy of the 83(b) Election attached hereto as **Exhibit D**.

**10. Survival of Representations and Warranties; Indemnification**. All representations and warranties contained herein shall survive the execution of this Agreement and the grant of the Granted Units contemplated hereby. Each party agrees to indemnify and hold harmless the other from any liability, loss or expense (including reasonable attorneys' fees) if such party has breached any representation, warranty or agreement hereunder.

**11. Governing Law**. This Agreement is entered into under the laws of the State of Delaware and this Agreement (and any controversy or action arising out of or relating hereto) shall be construed and interpreted in accordance therewith.

**12. Discontinuance of Employment**. Neither this Agreement nor the issuance of the Granted Units shall give the Participant any right to continued employment by the Company or any of its Subsidiaries, or any of their respective Affiliates, and subject to the terms of any employment agreement among such parties, the Company, any of its Subsidiaries, and their Affiliates may terminate the Participant's employment for any reason whatsoever, with or without Cause, and otherwise deal with the Participant as an employee without regard to the effect any such action may have on the Participant's rights under this Agreement or the LLC Agreement. The Participant represents that the Participant is acquiring the Granted Units without any expectation that the ownership of any Granted Units will entitle the Participant to any rights as an employee of the Company, any of its Subsidiaries, or any of their Affiliates that would not exist if the Participant were not the owner of the Granted Units. The Participant further agrees that no change in his expectations concerning employment will have a reasonable basis unless set forth in a written agreement expressly giving the Participant additional rights as to such matters.

**13. Additional Securities**. Any additional securities issued to the Participant in respect of the Granted Units, will be subject to the terms and conditions contained herein in the same manner as the Granted Units, including forfeiture under **Section 5**.

**14. Review of Agreement; Complete Agreement**. The Participant confirms that the Participant has carefully reviewed this Agreement and the LLC Agreement and understands their terms. The Participant confirms that the Participant has consulted with legal counsel, or had ample opportunity to consult with legal counsel, representing Participant concerning this Agreement, the LLC Agreement and any other agreements between or among the Participant, the Company, and any of its or their present or prospective members, managers, officers or employees. This Agreement, together with the LLC Agreement, contains the complete agreement among the parties with respect to the grant of the Granted Units or any other incentive arrangement and supersedes all prior agreements and understandings among the parties hereto with respect hereto and thereto.

**15. Tax Acknowledgement**. Participant will pay to the Company, or the Company may deduct from any amounts payable to Participant, the amount of any applicable federal, state, local or foreign taxes that the Company determines is required to be withheld in connection with the issuance, vesting, forfeiture or purchase of the Granted Units, the distribution of any cash or other property on account of the Granted Units, or otherwise as a result of Participant's relationship with the Company. The Participant acknowledges and agrees that none of the Company, any of its Subsidiaries or any of their respective Affiliates has made any representations or warranties hereunder with respect to the economic or tax effect of the grant of the Granted Units (or any other incentive arrangements). The Participant has made his or her own independent evaluation of the Granted Units, including the economic and tax effect of them, either through his or her own analysis or through representatives such as legal counsel or accountants.

**16. Miscellaneous**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and, except as otherwise expressly provided herein, their respective heirs, executors, administrators, representatives, successors and permitted assigns. This Agreement may not be assigned, transferred or otherwise disposed of by the Participant, whether voluntarily or involuntarily, by operation of law or otherwise, without the prior written consent of the Company. No waiver of any provision of this Agreement is valid unless in writing and signed by the party against whom or which enforcement is sought and any such waiver is effective only in the specific instance described and for the purpose for which the waiver was given. The failure of any party to this Agreement to insist upon or enforce strict performance by any other party to this Agreement of any provision of this Agreement shall not be construed as a waiver or relinquishment of such right or related remedy. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. The word "or" will not be exclusive.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

**COMPANY:**

HYDROFARM HOLDINGS LLC

By: _____
Name: _____
Title: _____

**PARTICIPANT:**

_____
[_____]

Address of Participant: _____
_____

**Exhibit 10.31**

**HYDROFARM HOLDINGS GROUP, INC.**

January 1, 2019

William Toler

**Re: Employment Terms**

Dear Bill:

On behalf of Hydrofarm Holdings Group, Inc. (the "**Company**"), I am pleased to offer you employment at the Company on the terms set forth in this offer letter agreement (the "**Agreement**"), which will govern your employment with the Company. As you know, the Company is currently undergoing a registration of its securities with the U.S. Securities and Exchange Commission pursuant to which the Company will become a public reporting company under the Securities Exchange Act of 1934, as amended (the "**Registration**").

It is anticipated that your employment will commence on the date hereof (the "**Start Date**").

**1. Employment by the Company.**

(a) **Position.** You will serve as the Company's Chairman and Chief Executive Officer. During the term of your employment with the Company, you will devote your reasonable best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies.

(b) **Duties and Location.** You will perform those duties and responsibilities as are customary for your position, and as may be directed by Company's Board of Directors (the "**Board**"), to whom you will report. Your primary office location will be your home office (or other remote office location reasonably chosen by you) in Florida. Notwithstanding the foregoing, the Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, including, without limitation, at the Company's offices in Petaluma, California, and to require reasonable business travel.

(c) **Service on the Board.** Effective on the Start Date, you will be appointed to serve as a member and Chairman of the Board and you agree to serve in such capacity without additional compensation. At each meeting of the Company's stockholders prior to the end of the Term at which your director term is expiring, the Company will nominate you to serve as a member of the Board, subject to required stockholder approval and compliance with the Company's policies and procedures regarding service as a member of the Board. Upon the termination of your employment for any reason, unless otherwise requested by the Board, you agree to resign from the Board (and all other positions held at the Company and its affiliates), and you will execute any documents necessary to reflect your resignation.

**2. Base Salary and Employee Benefits.**

(a) **Salary.** From the Start Date until the earlier to occur of (i) completion of the Registration or (ii) September 30, 2019 (such earlier date the "**Salary Change Date**"), you will receive for services to be rendered hereunder base salary paid at the annualized rate of $150,000. Commencing on the day following the Salary Change Date, your base salary will be increased to the annualized rate of $500,000. Your base salary may be increased (but not decreased below $500,000 following the Salary Change Date without your written consent) by the Board in its sole discretion. Your base salary will be paid, less standard payroll deductions and tax withholdings, on the Company's ordinary payroll cycle. As an exempt salaried employee, you are expected to work the Company's normal business hours, and such additional time as appropriate for your work assignments and position, and you will not be entitled to overtime compensation.

(b) **Benefits.** As a regular full-time employee, you will be eligible to participate in the Company's standard employee benefits (pursuant to the terms and conditions of the benefit plans and applicable policies) that are available to the Company's employees from time to time.

(c) **Equity Awards.**

(i) **Restricted Stock Unit Awards**. On the Start Date, you will be granted an award of restricted stock units (the "**Sign-On RSU Award**") pursuant to the Restricted Stock Unit Award Notice and Restricted Stock Unit Agreement attached hereto as ***Exhibit C***. Prior to completion of the Registration and subject to approval by the Board at the time and in accordance with the terms of this Agreement, in the event that the Company issues additional shares of common stock with a value at the time of issuance up to an aggregate of $225,000,000 in connection with any merger or acquisition, you will be granted additional restricted stock units (each, a "**Follow-On RSU Award,**" and together with the Sign-On RSU Award, the "**RSU Awards**") in an amount equal to 5% of any such newly issued shares of common stock, in substantially similar form to ***Exhibit C,*** with the Start Date as the vesting commencement date of each Follow-On RSU Award. For the avoidance of doubt, in no event shall the Company be required to grant you additional restricted stock units pursuant to the immediately preceding sentence with respect to any shares of the Company's common stock newly issued in connection with any merger or acquisition that are in excess of $225,000,000 in value at the time of issuance.

(ii) **Stock Options**. On (A) the date on which the Registration is completed and (B) if the Registration is not completed as of October 1, 2019, on October 1, 2019, subject to approval by the Board at the time and in accordance with the terms of this Agreement the Company will grant you an award of stock options (the "**Options**") to purchase that number of shares of the Company's common stock equal to the difference between the number of shares of the Company's common stock underlying the RSU Awards and 5% of the Company's total outstanding common stock on each such date. The specific terms and conditions (including the vesting schedule and the exercise price for the Options (which will be the fair market value of the Company's common stock on the date of grant, as determined by the Board in accordance with the Company's 2018 Equity Incentive Plan)) will be set forth in a Stock Option Grant Notice and Stock Option Agreement in substantially the form attached hereto as ***Exhibit D***.

(d) **Salary True-Up Bonus.** If you are actively employed by the Company from the Start Date through the Salary Change Date, you will receive a cash bonus (the "**Salary True-Up Bonus**") in an amount equal to (i) $350,000, multiplied by (ii) a fraction, the numerator of which is the number of calendar days that have elapsed between the Start Date and the Salary Change Date, and the denominator of which is 365. The Salary True-Up Bonus will be paid in a lump sum payment, less standard payroll deductions and tax withholdings, no later than October 31, 2019.

**3.** **Annual Bonus.** For each calendar year during the term of this Agreement, you will be eligible to earn an annual performance and retention bonus of up to fifty percent (50%) of your base salary rate (which, for the 2019 calendar year, shall be deemed to be $500,000) (the "**Annual Bonus**"). The Annual Bonus will be based upon the Board's assessment of your performance and the Company's attainment of goals, including annual EBITDA versus target EBITDA, as determined by the Board in consultation with you. Bonus payments, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Board will determine whether you have earned an Annual Bonus, and the amount of any such bonus, based on the achievement of such goals. You must remain an active employee through the end of any given calendar year in order to earn an Annual Bonus for that year and any such bonus will be paid no later than March 15th of the year following the year in which your right to such amount became vested.

**4. Expenses.** The Company will reimburse you for reasonable business travel, entertainment or other expenses incurred by you in furtherance or in connection with the performance of your duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

**5. Compliance with Confidentiality and Invention Assignment Agreement and Company Policies.**

(a) **Confidentiality and Invention Assignment Agreement.** You acknowledge that the Confidentiality and Invention Assignment Agreement (the "**Confidentiality Agreement**," a copy of which is attached hereto as ***Exhibit A***) executed in connection herewith is an integral component of your employment by the Company and is made a part of this Agreement by incorporation.

(b) **Non-Disclosure and Non-Use of Confidential Information.** At all times both during your employment with the Company, and after your employment relationship with the Company has ended for any reason, you agree that you will not, either directly or indirectly, and you will not permit any Covered Entity which you control to, either directly or indirectly, (i) divulge, use, disclose (in any way or in any manner, including by posting on the Internet), reproduce, distribute, or reverse engineer or otherwise provide Confidential Information to any person or entity; (ii) take any action that would make available Confidential Information to the general public in any form; or (iii) take any action that uses Confidential Information for solicitation or marketing for any service or product on your behalf or on behalf of any person or entity other than the Company or any of its Affiliates, except (A) as required in connection with the performance of your duties to the Company, (B) as required to be included in any report, statement or testimony requested by any municipal, state or national regulatory body having jurisdiction over you or any Covered Entity which is controlled by you, (C) as required in response to any summons or subpoena or in connection with any litigation, (D) to the extent necessary in order to comply with any law, order, regulation, ruling or governmental request applicable to you or any Covered Entity which is controlled by you, (E) as required in connection with an audit by any taxing authority, or (F) as permitted by the express written consent of the Board. In the event that you or any such Covered Entity that is controlled by you are required to disclose Confidential Information pursuant to the foregoing exceptions, you shall promptly notify the Company of such pending disclosure and assist the Company (at the Company's expense) in seeking a protective order or in objecting to such request, summons or subpoena with regard to the Confidential Information. If the Company does not obtain such relief prior to the time that you (or such Covered Entity) are legally compelled to disclose such Confidential Information, you (or such Covered Entity) may disclose that portion of the Confidential Information that your counsel advises you are legally compelled to disclose or else stand liable for contempt or suffer censure or penalty. In such cases, you shall promptly provide the Company with a copy of the Confidential Information so disclosed. This provision applies without limitation to unauthorized use of Confidential Information in any medium, including film, videotape, audiotape and writings of any kind (including books, articles, e-mails, texts, blogs and websites).

(c) **Compliance with Company Policies.** In addition, you are required to abide by the Company's policies and procedures, as modified from time to time within the Company's discretion including without limitation such policies with respect to legal compliance, conflicts of interest, confidentiality, compensation recovery (clawback), professional conduct and business ethics as are from time to time in effect; *provided*, *however*, that in the event the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. Nothing in this Agreement, or your Confidentiality Agreement, is intended to or will be used in any way to limit your rights to communicate with a government agency, as provided for, protected under or warranted by applicable law. Notwithstanding any other provision in this Agreement to the contrary and without limiting the foregoing sentence, pursuant to 18 USC Section 1833(b), you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to a court order. 18 USC Section 1833(b) does not preclude the trade secret owner from seeking breach of contract remedies.

**6. Protection of Third Party Information.** In your work for the Company, you will be expected not to make any unauthorized use or disclosure of any confidential or proprietary information, including trade secrets, of any former employer or other third party to whom you have contractual obligations to protect such information. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You represent that you are able to perform your job duties within these guidelines, and you are not in unauthorized possession of any unpublished documents, materials, electronically-recorded information, or other property belonging to any former employer or other third party to whom you have a contractual obligation to protect such property. In addition, you represent and warrant that your employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, that you will perform your duties to the Company without violating any such agreement(s), and that you have disclosed to the Company in writing any contract you have signed that may restrict your activities on behalf of the Company.

**7. Term.** The initial term of this Agreement shall be two (2) years commencing on the Start Date, unless terminated earlier pursuant to the terms herein (the "**Initial Term**"). This Agreement shall remain in force after the end of the Initial Term unless either party gives notice of non-renewal at least ninety (90) days prior to the end of the Initial Term or at any time after the end of the Initial Term, as applicable. The Initial Term or, in the event that your employment hereunder is terminated earlier pursuant to the terms hereof or continues thereafter pursuant to this Section 7, such shorter or longer period, as the case may be, is referred to herein as the "**Term**." Notwithstanding the foregoing, your employment relationship with the Company is at-will. Accordingly, subject to the terms set forth in this Agreement, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company may terminate your employment at any time, with or without Cause or advance notice.

**8. Severance.** If, at any time, the Company terminates your employment without Cause (other than as a result of your death or disability), you resign for Good Reason, or your employment hereunder terminates due to the Company's non-renewal of this Agreement (whether at or after the end of the Initial Term) (each such termination referred to as a "**Qualifying Termination**"), provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then you will receive the Accrued Amounts (as defined in Section 9) and subject to Sections 10 and 11 below and your continued compliance with the terms of this Agreement (including without limitation Section 5 above), the Company will provide you with the following severance benefits (the "**Severance Benefits**"):

(a) **Cash Severance**. The Company will pay you, as cash severance, an amount equal to the greater of $250,000 or six (6) months of your base salary in effect as of your Separation from Service date (*provided that* if your employment termination is due to your resignation for Good Reason in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction) (collectively, the "**Severance**"). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

(b) **COBRA Severance**. As an additional Severance Benefit, if you timely (and properly) elect to continue your coverage under the Company's group health plan pursuant to Code Section 4980B(f) ("**COBRA**"), the Company will reimburse you for (or will pay directly, in the discretion of the Company) the premium charged for such coverage until the earliest to occur of (i) the six (6) month anniversary of your Separation from Service date, (ii) the date on which you obtain health care coverage from another source (e.g., a new employer or spouse's benefit plan), and (iii) the date on which you cease to be entitled to COBRA continuation coverage under the Company's group health plan; provided, however, that the Company may unilaterally amend or eliminate the benefit provided under this Section 8(b) to the extent it deems necessary to avoid imposition of excise taxes, penalties or similar charges on the Company or any of its Affiliates (or any of their respective successors), including, without limitation, under Code Section 4680D or 4980H. You must notify the Company within two (2) weeks if you obtain coverage from a new source.

(c) **Salary True-Up Bonus**. If your employment terminates before September 30, 2019 (for the avoidance of doubt as a result of the Company terminating your employment without Cause (other than as a result of your death or disability) or your resignation for Good Reason), the Company will pay you an amount equal to (i) $350,000, multiplied by (ii) a fraction, the numerator of which is the number of calendar days that have elapsed between the Start Date and your Separation from Service date, and the denominator of which is 365. This amount will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

(d) **Accelerated Vesting**. All unvested time-based RSU Awards and all Stock Options held by you that by their terms vest over the twelve month period immediately following your Qualifying Termination shall immediately and automatically vest in full and, in the case of the Stock Options, shall remain exercisable for the period of time set forth in the applicable award agreements. All unvested time-based RSU Awards and all Stock Options held by you that by their terms vest following such twelve month period shall immediately terminate and be forfeited.

**9. Resignation Without Good Reason; Termination for Cause; Death or Disability.** If, at any time, you resign your employment without Good Reason, or the Company terminates your employment for Cause, or if either party terminates your employment as a result of your death or disability, you will receive (a) your base salary accrued through your last day of employment, (b) any unused vacation (if applicable) accrued through your last day of employment, (c) any earned but unpaid Annual Bonus for the calendar year ended immediately prior to your Separation from Service date (provided that any such Annual Bonus will be paid at the same time it would have been paid had your employment not terminated), and (d) reimbursement of any unreimbursed business expenses (collectively, the "**Accrued Amounts**"). Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any Severance Benefits, other than any rights to which you are entitled under the Company's benefit programs, stock option plan or equity grant documents between you and the Company.

**10. Conditions to Receipt of Severance Benefits.** Prior to and as a condition to your receipt of the Severance Benefits described above, you shall execute and deliver to the Company an effective release of claims in favor of the Company, in substantially the form attached hereto as ***Exhibit B*** (the "**Release**") within the timeframe set forth therein, but not later than forty-five (45) days following your Separation from Service date, and allow the Release to become effective according to its terms (by not invoking any legal right to revoke it) within any applicable time period set forth therein (such latest permitted effective date, the "**Release Deadline**"). Receipt of Severance Benefits is further subject to Section 11(d) below. Notwithstanding anything in this Agreement to the contrary, in no event will any Severance Benefits be paid prior to the first business day of the calendar year in which the Release Deadline occurs.

**11. Restrictive Covenants.** In recognition of the consideration set forth herein, the sufficiency of which is hereby acknowledged, and to protect the Confidential Information, goodwill and Customer and business relationships of the Company, you hereby covenant and agree that:

(a) **Non-Competition.** While employed and for six months after termination of your employment for any reason (the "**Restricted Term**"), you shall not, either directly or indirectly, individually or by or through any Covered Entity, whether for consideration or otherwise: (1) engage in (except on behalf of the Company or any of its Affiliates), or compete with the Company or any of its Affiliates in, a Competing Business anywhere in the Territory; or (2) form or assist others in forming, be employed by, perform services for, become an officer, director, member or partner of, or participant in, or consultant or independent contractor to, invest in or own any interest in (whether through equity or debt securities), assist (financially or otherwise) or lend your name, counsel or assistance to any entity engaged in a Competing Business anywhere in the Territory.

(b) **Non-Solicitation.** While employed and during the Restricted Term, you shall not, either directly or indirectly, individually or by or through any Covered Entity, whether for consideration or otherwise: (A) knowingly solicit or actually accept business from any Customer or Prospective Customer, in each case, for the purpose of providing goods or services on behalf of a Competing Business, (B) knowingly solicit or induce any Customer to terminate, reduce or alter, in a manner adverse to the Company or any of its Affiliates, any existing or potential business arrangement or agreement with the Company or any of its Affiliates, or (C) solicit, hire, attempt to solicit or attempt to hire any person who is or was an employee, third party consultant or independent contractor of the Company or any of its Affiliates at any time during the 12 months prior to such solicitation or hiring. The restrictions set forth in this Section 11(b) shall not prohibit any form of general advertising or solicitation that is not directed at a specific person or entity and does not relate to a Competing Business.

(c) **Non-Disparagement.** You will not, in any manner, directly or indirectly, on your own behalf or in conjunction with or for the benefit of any other person or entity, disparage, defame, or denigrate the Company or any of its Affiliates or their respective officers, directors, employees, stockholders, products or services in any manner harmful to their business reputation. The Company agrees that its officers and directors will not, in any manner, directly or indirectly, disparage, defame, or denigrate you in any manner harmful to your business or personal reputation. Notwithstanding the foregoing, nothing in this Section 11(c) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(d) **Conditional Severance Benefits.** You agree that the payment of any Severance Benefits is conditioned on your compliance with Sections 11(a), (b) and (c) and that, if you breach any of those sections, you (A) forfeit your rights to receive any Severance Benefits, and (B) will repay, or cause to be repaid, to the Company the full amount of any Severance Benefits paid by the Company to you prior to the date of such breach.

(e) **Enforcement.** You acknowledge that the covenants set forth in Sections 5, 6 and 11(a), (b) and (c) impose a reasonable restraint on you in light of the business and activities of the Company and its Affiliates. You acknowledge that your expertise is of a special and unique character which gives this expertise a particular value, and that a breach of Sections 5, 6 or 11(a), (b) or (c) by you will cause serious and potentially irreparable harm to the Company and its Affiliates. You therefore acknowledge that a breach of Sections 5, 6 or 11(a), (b) or (c) by you cannot be adequately compensated in an action for damages at law, and equitable relief would be necessary to protect the Company and its Affiliates from a violation of this Agreement and from the harm which this Agreement is intended to prevent. By reason thereof, you acknowledge that, notwithstanding any provision contained herein to the contrary, the Company and its Affiliates are entitled, in addition to any other remedies they may have under this Agreement or otherwise, to temporary, preliminary and permanent injunctive and other equitable relief (without the necessity of showing economic loss or other actual damages) to prevent or curtail any breach of this Agreement in any court of competent jurisdiction, in addition to any other legal or equitable remedies they may have. You acknowledge, however, that no specification in this Agreement of a specific legal or equitable remedy may be construed as a waiver of or prohibition against pursuing other legal or equitable remedies in the event of a breach of this Agreement by you. In the event of a breach or violation by you of any of the provisions of Section 11(a) or (b), the running of the Restricted Term shall be tolled during the continuance of any actual breach or violation. Other than with respect to a Company violation of Section 11(c) above, your sole and exclusive remedy in the event of a breach of this Agreement by the Company shall be payment of Severance Benefits.

(f) **Modification.** In the event that any provision or term of Section 11(a) or (b), or any word, phrase, clause, sentence or other portion thereof (including, without limitation, the geographic and temporal restrictions and provisions contained in Section 11(a) or (b)) is held to be unenforceable or invalid for any reason, such provision or portion thereof will be modified or deleted in such a manner as to be effective for the maximum period of time for which it/they may be enforceable and over the maximum geographical area as to which it/they may be enforceable and to the maximum extent in all other respects as to which it/they may be enforceable. Such modified restriction(s) shall be enforced by the court or adjudicator. In the event that modification is not possible, because each of your obligations in Section 11 is a separate and independent covenant, any unenforceable obligation shall be severed and all remaining obligations shall be enforced.

**12. Return of Company Property.** Upon the termination of your employment for any reason, as a precondition to your receipt of the Severance Benefits (if applicable), within five (5) days after your Separation from Service Date (or earlier if requested by the Company), you will return to the Company all Company documents (and all copies thereof) and other Company property within your possession, custody or control, including, but not limited to, Company files, notes, financial and operational information, Customer lists and contact information, product and services information, research and development information, drawings, records, plans, forecasts, reports, payroll information, spreadsheets, studies, analyses, compilations of data, proposals, agreements, sales and marketing information, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, tablets, handheld devices, and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company, and all reproductions thereof in whole or in part and in any medium. You further agree that you will make a diligent search to locate any such documents, property and information and return them to the Company within the timeframe provided above. In addition, if you have used any personally-owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company, then within five (5) days after your Separation from Service date you must permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part). You shall deliver to the Company a signed statement certifying compliance with this Section 12 prior to the receipt of the Severance Benefits.

**13. Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

"**Affiliate**" means with respect to any party, any corporation, limited liability company, partnership, joint venture, firm and/or other entity that directly or indirectly controls, is controlled by or is under common control with such party, including any subsidiaries.

"**Cause**" for termination will mean your: (a) willful and continued failure to substantially perform your duties (other than as a result of incapacity due to physical or mental illness or other approved leave of absence); (b) gross negligence or willful misconduct in the course of your employment with the Company that causes or is likely to cause material harm to the Company; (c) engagement in conduct that discriminates or harasses another employee or contractor of the Company or any of its Affiliates on the basis of gender, race, color, creed, religion or sexual orientation; (d) conviction of, or plea of guilty or *nolo contendere* to, a crime involving moral turpitude; (e) intentional, material breach of this Agreement that causes or is likely to cause material harm to the Company; (f) intentional, material violation of the written policies of the Company, to the extent you have reasonable notice of such policies, that causes or is likely to cause material harm to the Company; or (g) material fraud with respect to, or embezzlement of material funds or property belonging to, the Company. Notwithstanding the foregoing, "Cause" shall not exist with respect to the events or circumstances described in sections (a), (b), (e), (f) or (g) of this paragraph unless and until the Company has given you written notice of the applicable event or circumstance within sixty (60) days of the date the Company has actual knowledge thereof, which notice specifically delineates such claimed misconduct or breach and informs you that you are required to cure such misconduct or breach (if curable) within thirty (30) days (the "**Executive Cure Period**") of the date of such notice, and such breach is not cured to the extent curable within the Executive Cure Period. If Cause exists pursuant to the preceding sentence in respect of an event described in sections (a), (b), (e), (f) or (g) of this paragraph, the Company may terminate your employment for Cause within forty-five (45) days after the end of the Executive Cure Period. If such curable misconduct or breach is cured within the Executive Cure Period, Cause shall be deemed not to exist. The Company shall not be permitted to terminate your employment for Cause in respect of an event described in sections (a), (b), (e), (f) or (g) of this paragraph if the Company fails to either (x) provide written notice of the applicable event or circumstance within sixty (60) days of the date the Board (other than you, if you are a member of the Board) has actual knowledge thereof, or (y) terminate your employment within the forty-five (45)-day period following the end of the applicable Executive Cure Period.

"**Competing Business**" means (i) any business involving or relating to the sale, distribution, marketing, wholesaling or manufacturing of hydroponic and similar products, including the acquisition and operation of any wholesaler or distributor of hydroponic equipment or any subsidiaries or Affiliates thereof, and (ii) any other business in which the Company or any of its Affiliates is engaged during the Term (as defined in Section 7).

"**Confidential Information**" means confidential or proprietary information and/or techniques of the Company or any of its Affiliates entrusted to, developed by, or made available to you, whether in writing, in computer form, reduced to a tangible form in any medium, or conveyed orally, that is not generally known by others in the form in which it is or was used by the Company or any of its Affiliates. Examples of Confidential Information include, without limitation: (i) sales, sales volume, sales methods, sales proposals, business plans or statements of work; (ii) Customers, Prospective Customers, and Customer records, including contact, preference and other Customer information; (iii) costs and general price lists and prices charged to specific Customers; (iv) the names, addresses, contact information and other information concerning any and all brokers, vendors and suppliers and prospective brokers, vendors and suppliers; (v) terms of contracts; (vi) non-public information and materials describing or relating to the business or financial affairs of the Company or any of its Affiliates, including but not limited to, financial statements, budgets, projections, financial and/or investment performance information, research reports, personnel matters, products, services, operating procedures, organizational responsibilities and marketing matters, policies or procedures; (vii) information and materials describing existing or new processes, products and services of the Company or any of its Affiliates, including marketing materials, analytical data and techniques, and product, service or marketing concepts under development by or for the Company or any of its Affiliates, and the status of such development; (viii) the business or strategic plans of the Company or any of its Affiliates; (ix) the information technology systems, network designs, computer program code, and application practices of the Company or any of its Affiliates; and (x) acquisition candidates of the Company or any of its Affiliates or any studies or assessments relating thereto. Confidential Information does not include information that becomes generally known to and available for use by the public other than as a result of your acts or omissions to act, including any breach of this Agreement.

"**Covered Entity**" means all of your Affiliates, and every business, association, trust, corporation, partnership, limited liability company, proprietorship or other entity in or to which you have an investment (whether through debt or equity securities), maintain any capital contribution or have made any advances, or in which any Affiliate of you has an ownership interest or profit sharing percentage. Your agreements contained herein specifically apply to each entity which is presently a Covered Entity or which becomes a Covered Entity subsequent to the date of this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement prohibits you from owning less than 3% of any class of voting securities, publicly held and quoted on a recognized securities exchange or inter-dealer quotation system, of any issuer, and no such issuer shall be considered a Covered Entity solely by virtue of such ownership or the incidents thereof.

"**Customer**" means any person or entity for whom the Company or any of its Affiliates (i) provides (or is contracted to provide) goods or services as of the date hereof or at any time during the Term, or (ii) has provided goods or services at any time during the one-year period prior to the date hereof.

"**Good Reason**" for resigning from employment with the Company shall exist if any of the following actions are taken by the Company without your prior written consent: (a) a material reduction in your base salary which the parties agree is a reduction of at least ten percent (10%) of your base salary; (b) a material reduction in your duties, responsibilities and/or authority; or (c) any material breach of this Agreement by the Company. In order to resign for Good Reason, you must provide written notice to the Board within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least thirty (30) days from receipt of such written notice to cure such event, and if such event is not cured within such period, you must resign from all positions you then hold with the Company not later than forty-five (45) days after the expiration of the cure period.

"**Prospective Customer**" means any person or entity with whom the Company or any of its Affiliates has communicated or whom the Company or any of its Affiliates has solicited for the purposes of obtaining such person or entity as a Customer and/or whom the Company or any of its Affiliates has analyzed concerning the potential of such person or entity to become a Customer, at any time during the one-year period prior to the date hereof or at any time during the Term.

"**Territory**" means anywhere in the world.

**14. Compliance with Section 409A.** It is intended that the payments and benefits set forth in this Agreement (including, without limitation, the Severance Benefits) satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "**Code**") (Section 409A, together with any state law of similar effect, "**Section 409A**"). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, (a) except to the extent any expense or reimbursement provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement in any other calendar year, (ii) the reimbursements for expenses for which you are entitled to be reimbursed will be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement hereunder may not be liquidated or exchanged for any other benefit and (b) if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the date of your Separation from Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of adverse personal tax consequences under Section 409A, the timing of the Severance Benefits shall be delayed until the earliest of: (i) the date that is six (6) months and one (1) day after your Separation from Service date, (ii) the date of your death, or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments or benefits deferred pursuant to this Section 14 shall be paid in a lump sum or provided in full by the Company (or the successor entity thereto, as applicable), and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred. If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which you have a Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline. The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

**15. Section 280G; Parachute Payments.**

(a) If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the 280G Payment that would result in no portion of the 280G Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the 280G Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax, results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the 280G Payment may be subject to the Excise Tax. If a reduction in a 280G Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

(b) Notwithstanding any provision of subsection (a) above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the 280G Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for you as determined on an after-tax basis; (B) as a second priority, 280G Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before 280G Payments that are not contingent on future events; and (C) as a third priority, 280G Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before 280G Payments that are not deferred compensation within the meaning of Section 409A.

(c) Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the change in control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the change in control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 15. For purposes of making the determinations required by this Section 15, the accounting or law firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Executive and the Company agree to furnish such information and documents as the accounting or law firm may reasonably request in order to make a determination under this Section 15. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

(d) If you receive a 280G Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 15(a) and the Internal Revenue Service determines thereafter that some portion of the 280G Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the 280G Payment (after reduction pursuant to clause (x) of Section 15(a)) so that no portion of the remaining 280G Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 15(a), you shall have no obligation to return any portion of the 280G Payment pursuant to the preceding sentence.

**16. Dispute Resolution.** To ensure the timely and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, your employment, or the termination of your employment, including but not limited to statutory claims (including, without limitation, discrimination, harassment, wrongful termination or wage claims under the Labor Code), will be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Florida, conducted by JAMS, Inc. ("**JAMS**") under the then-applicable JAMS rules (available at the following web address: http://www.jamsadr.com/rulesclauses, and which will be provided to you on request). **By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The prevailing party in the arbitration may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the arbitrator. The costs of the arbitration shall be borne equally by the parties unless otherwise determined by the arbitrator in its award. Nothing in this letter is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

**17. Clawback.** You hereby acknowledge and agree that any payment hereunder will be subject to recovery by the Company pursuant to applicable law and any applicable Company compensation recovery policy as may be from time to time in effect.

**18. Reimbursement of Legal Expenses.** The Company shall pay directly, or reimburse you for, all reasonable legal expenses incurred by you in the negotiation and execution of this Agreement (including any exhibits hereto). Such payments and/or reimbursements shall occur within ten business days after you provide documentation to the Company of the legal expenses incurred.

**19. Confidentiality of this Agreement.** You agree to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by you of this covenant. This provision does not prohibit you from providing this information on a confidential and privileged basis to your attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

**20. Miscellaneous.** This Agreement (including exhibits), together with your Confidentiality Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's or Board's discretion in this Agreement, require a written modification approved by the Company and signed by a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. The Company represents and warrants that it is free to enter into this Agreement and has taken all corporate action necessary to authorize the execution and delivery of this Agreement and the performance of all of its obligations under this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of Florida without regard to conflicts of law principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile and electronic image copies of signatures shall be equivalent to original signatures.

Please sign and date this Agreement and the enclosed Confidentiality Agreement and return them to me. I would be happy to discuss any questions that you may have about these terms.

***[SIGNATURE PAGE FOLLOWS]***

We are delighted to be making this offer and the Company looks forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Jeffrey Peterson
Jeffrey Peterson, Chief Financial Officer, Secretary and Treasurer
Hydrofarm Holdings Group, Inc.

**Reviewed, Understood, and Accepted:**

| | |
|---|---|
| /s/ William Toler | Feb 11, 2019 |
| William Toler | Date |

**Exhibit A: Confidentiality and Invention Assignment Agreement**
**Exhibit B: Release**
**Exhibit C: Restricted Stock Unit Award Notice and Restricted Stock Unit Agreement**
**Exhibit D: Form of Stock Option Grant Notice and Stock Option Agreement**

**EXHIBIT A**

**PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

This PROPRIETARY INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (this "Agreement"), dated as of April _____, 2017 (the "Effective Date"), is made and entered into by and between (i) Hydrofarm, Inc., a California corporation ("Company"), and (ii) _____, an individual resident in the State of _____ ("Employee").

**AGREEMENT**

In consideration of Employee's employment with Company, Employee's receipt of the compensation paid to Employee by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Employment; Compensation**

(a) Employee understands and acknowledges that Employee's employment with the Company is for an unspecified duration and constitutes "at-will" employment. Employee acknowledges that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or employee, with or without notice.

(b) During the term of Employee's employment with the Company, Employee will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of Employee's employment; and, Employee will not engage in any other activities that conflict with Employee's obligations to the Company.

(c) In consideration for the covenants and obligations set forth herein, the Company will pay Employee the compensation set forth on **Appendix A**.

**2. Confidential Information**

(a) **Company Information**. During the term of Employee's employment (Employee's "Relationship with the Company"), Employee will have access to Confidential Information and Trade Secrets of the Company (collectively, the "Proprietary Information"). Employee acknowledges that all Proprietary Information that may exist from time to time is a valuable, special and unique asset of the Company, and access to and knowledge of which is essential to the performance of Employee's employment duties. Employee will keep confidential and not disclose (during the period of employment and thereafter, except that Employee is only required to hold any Proprietary Information that is not a Trade Secret in confidence for the maximum extent permitted by applicable law) to any other person or entity and will not use for Employee's own benefit or the benefit of any other person or entity (other than the Company) any Proprietary Information, except in a manner that has been expressly authorized by the formal written policies of the Company. "Confidential Information" means any Company proprietary information, technical data, or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee called or with whom Employee became acquainted during the term of Employee's Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to Employee by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved. "Trade Secrets" means, collectively, information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) **Other Employer Information**. Employee will not improperly use or disclose to any member of the Company, or to any employee, officer, director, manager, equityholder, financing source, lender, partner, agent, contractor or representative of any member of the Company, any confidential or proprietary information (including unpublished patent applications or invention disclosures) belonging to any former employer of Employee or to any other person or entity to which Employee owes a duty of nondisclosure, unless consented to in writing by such employer, person or entity.

(c) **Third Party Information**. Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee will hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out Employee's duties to the Company consistent with the Company's agreement with such third party.

(d) **Defend Trade Secrets** Act. Notwithstanding any other provision of this Agreement to the contrary, pursuant to 18 USC Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 USC Section 1833(b) does not, however, preclude the trade secret owner from seeking breach of contract remedies.

**3. Intellectual Property**

(a) **Assignment of Intellectual Property**. Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all of Employee's right, title and interest in and to any original works of authorship, trademarks, domain names, inventions (including the right to claim priority), concepts, improvements, processes, methods or Proprietary Information , whether or not patentable or registrable under copyright or similar laws that Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of Employee's Relationship with the Company, including such intellectual property developed by Employee for the Company prior to the Effective Date (collectively referred to as "Intellectual Property") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by Employee for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. All original works of authorship that are created by Employee (solely or jointly with others) within the scope of and during the period of Employee's Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal, and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Employee hereby waives such Moral Rights and consents to any action of Company that would violate such Moral Rights in the absence of such consent.

(b) **Patent and Copyright Registrations**. Employee will assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers continues after the termination of this Agreement. In the event the Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's assistance in perfecting the rights transferred in this Agreement, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by Employee. The designation and appointment of the Company and its duly authorized officers and agents as Employee's agent and attorney in fact is deemed to be coupled with an interest and therefore irrevocable.

(c) **Maintenance of Records**. Employee will keep and maintain adequate and current written records of all Intellectual Property created by Employee (solely or jointly with others) during the term of Employee's Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) **Intellectual Property Retained and Licensed**. To the extent permitted by Section 2(b), Employee has accurately identified on Schedule 1 all ideas, methodologies, processes, inventions, discoveries and works of authorship, and all rights in any trademarks, service marks, trade secrets, copyrights, and patents, that Employee created prior to Employee's employment with the Company (collectively "Pre-Existing Work Product") that may reasonably relate to the current or future business of the Company. Except as provided herein, Employee will retain all right, title and interest in and to such Pre-Existing Work Product. Employee will promptly disclose to the Company any modifications or improvements to any Pre-Existing Work Product that fall within the definition of Intellectual Property (and hereby assigns rights thereto to the Company pursuant to Section 3(a)). If Employee, during the course of or resulting from employment with the Company, uses, creates, or otherwise provides Confidential Information, Intellectual Property or other works that incorporate or reasonably require the use of any of Employee's Pre-Existing Work Product, then Employee will promptly disclose such and hereby grants the Company an unrestricted, royalty-free, perpetual, irrevocable, transferable, license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit any and all such Pre-Existing Work Product, to the extent such grant of rights does not conflict with any contractual obligations of Employee existing prior to the Effective Date.

(e) **Exception to Assignments.** The foregoing provisions of this Agreement requiring assignment of Intellectual Property to the Company do not apply to any invention or Intellectual Property that cannot be assigned to the Company under the laws of the state in which Employee resides, and the notices set forth as **Appendix B** pertaining to Employee's state of residence applies to Employee and any such inventions and Intellectual Property.

(f) **Return of Company Documents**. At the time of leaving the employ of the Company and at other times as requested by Company, Employee will deliver to the Company (and will not keep in Employee's possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by Employee pursuant to Employee's Relationship with the Company or otherwise belonging to the Company or its successors or assigns. In the event of the termination of Employee's Relationship with the Company, Employee agrees to execute and deliver the "Termination Certificate" attached hereto as **Appendix C**.

**4. Notification of New Employer**

In the event that Employee leaves the employ of the Company, Employee hereby grants consent to notification by the Company to Employee's new employer or consulting client of Employee's rights and obligations under this Agreement.

**5. No Solicitation of Employees**

In consideration for Employee's Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, Employee agrees that, during the period of Employee's Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, Employee will not solicit the employment of any person who is then employed by the Company (as an employee or consultant), on behalf of Employee or any other person, firm, corporation, association or other entity, directly or indirectly.

**6. Representations and Warranties**

Employee represents and warrants that Employee's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's Relationship with the Company. Employee has not entered into, and Employee will not enter into, any oral or written agreement in conflict herewith. Employee agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement.

**7. Equitable Relief**

Any disputes relating to or arising out of a breach of the covenants contained in this Agreement may cause the Company or Employee, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. No bond or other security is required in obtaining such equitable relief (unless such bond or security is otherwise required by law, in which event, Company and Employee hereby agree that a $5,000 US bond will be sufficient) and hereby consents to the issuance of such injunction and to the ordering of specific performance.

**8. General Provisions**

(a) **Governing Law; Consent to Personal Jurisdiction**. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement will be governed by and construed in accordance with the domestic laws of Employee's residence as of the Effective Date of this Agreement (as identified in the caption of this Agreement), without giving effect to any choice or conflict of law provision or rule (whether of such state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than such state. Employee hereby expressly consents to the nonexclusive personal jurisdiction and venue of the state and federal courts located in the federal Northern District of California for any lawsuit filed there by either party arising from or relating to this Agreement.

(b) **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matter herein and merges all prior discussions between the parties. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Employee's duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) **Successors and Assigns**. Employee may not assign any of Employee's rights or delegate any of its obligations under this Agreement without the prior written consent of the Company. The Company may freely assign any of the Company's rights or delegate any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors, heirs and permitted assigns of the parties

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of the date first set forth above.

By: _____
Name: _____

Address:

_____
_____
_____

**WITNESS:**

By: _____
Name: _____

Address:

_____
_____
_____

**[SIGNATURE PAGE TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT]**

**APPENDIX A**

**Compensation Disclosure**

In considerations for the covenants and obligations set forth in the Agreement, Employee expressly acknowledge the receipt and sufficiency of the following compensation (*check all that apply*):

☐ **New, revised, or renewed compensation package.**

☐ **The sum of one hundred dollars ($100).**

☐ **Other (_____).**

**APPENDIX B**

**Invention Notice Schedule**

**California**

The following notice applies to employees who live in the State of California (and this Agreement does not apply to, and You have no obligation to assign to the Company any invention that fully qualifies with the following):

*(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:*

*(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or*

*(2) Result from any work performed by the employee for the employer.*

*(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. (California Labor Code Section 2870)*

**Delaware**

The following notice applies to employees who live in the State of Delaware:

*In accordance with Delaware law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility, or trade secret information, except for those inventions that (i) relate to the Company's business or actual or demonstrably anticipated research and development, or (ii) results from any work performed by Employee for the Company. (Delaware Code Annotated, Title 19, Section 805)*

**Illinois**

The following notice applies to employees who live in the State of Illinois:

*In accordance with Illinois law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research and development, or (b) the invention results from any work performed by Employee for the Company. (Illinois Compiled Statutes, Chapter 765, Section 1060)*

**Kansas**

The following notice applies to employees who live in the State of Kansas:

*In accordance with Kansas law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely Employee's own time, unless: (a) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for the Company. (Kansas Statutes Annotated §§ 44-130)*

**Minnesota**

The following notice applies to employees who live in the State of Minnesota:

*In accordance with Minnesota law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Employee's own time, and (a) which does not relate (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Employee for the Company. (Minnesota Statutes Annotated § 181.78)*

**North Carolina**

The following notice applies to employees who live in the State of North Carolina:

*In accordance with North Carolina law, this Agreement does not apply to an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility or trade secret information except for those inventions that (a) relate to the Company's business or actual or demonstrably anticipated research or development, or (b) result from any work performed by Employee for the Company. (North Carolina General Statutes §§ 66-57.1, 66-57.2)*

**Utah**

The following notice applies to employees who live in the State of Utah:

*Employee acknowledges and agrees that this Agreement is not an employment agreement under Utah law or otherwise. However, if and only to the extent this Agreement is deemed to be covered by the restrictions set forth in Utah Code Ann. § 34-39-3, this Agreement will not apply to an invention that is created by Employee entirely on Employee's own time and is not an employment invention as defined in Utah Code Ann. § 34-39-2(1), except as permitted under Utah Code Ann. § 34-39-3.*

**Washington**

The following notice applies to employees who live in the State of Washington:

*Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Employee to assign or offer to assign to the Company any of Employee's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.*

**APPENDIX C**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm, LLC and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)-month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: _____ By: _____

Name: _____

**SCHEDULE 1**

**PRE-EXISTING WORK PRODUCT**

**EXHIBIT B**

**RELEASE**

In exchange for good and valuable consideration set forth in that certain Offer Letter (the "Offer Letter"), dated as of [ ] between the undersigned, _____ ("Employee") and Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), the sufficiency of which is hereby acknowledged, Employee, on behalf of himself, his executors, heirs, administrators, assigns and anyone else claiming by, through or under Employee, irrevocably and unconditionally, releases, and forever discharges Hydrofarm, its predecessors, successors and related and affiliated entities, including parents and subsidiaries, and each of their respective directors, officers, managers, shareholders, members, employees, attorneys, insurers, agents and representatives (collectively, the "Company"), from, and with respect to, any and all debts, demands, actions, causes of action, suits, covenants, contracts, wages, bonuses, damages and any and all claims, demands, liabilities, and expenses (including attorneys' fees and costs) whatsoever of any name or nature both in law and in equity that Employee now has, ever had or may in the future have against the Company with respect to Employee's employment with, or service as an officer, director or manager of, the Company (severally and collectively, "Claims"), including but not limited to, any and all Claims in tort or contract, whether by statute or common law, and any Claims relating to salary, wages, bonuses and commissions, incentive units, equity interests, the breach of any oral or written contract, unjust enrichment, promissory estoppel, misrepresentation, defamation, interference with prospective economic advantage, interference with contract, wrongful termination, intentional or negligent infliction of emotional distress, negligence, or breach of the covenant of good faith and fair dealing, and Claims arising out of, based on, or connected with the termination of Employee's employment, including any Claims for unlawful employment discrimination of any kind, whether based on age, race, sex, disability or otherwise, including specifically and without limitation, claims arising under or based on: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Americans with Disabilities Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; the Equal Pay Act of 1963; the Older Workers Benefits Protection Act; or any other local, state or federal equal employment opportunity or anti-discrimination law, statute, policy, order, ordinance or regulation affecting or relating to Claims that Employee ever had, now has, or claims to have against the Company; *provided*, *however*, that Employee does not release the Company with respect to claims arising out of or relating to its fraud, gross negligence or willful misconduct. This Release (this "Release") is not intended to release Claims which, as a matter of law or public policy, cannot be released.

By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California (and any other federal, state, or local law of similar effect) if and to the extent applicable. Section 1542 of the Civil Code of the State of California provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee warrants and represents that Employee has not assigned or transferred to any person or entity any of the Claims released by this Release, and Employee agrees to defend (by counsel of the Company's choosing), and to indemnify and hold harmless, the Company from and against any claims based on, in connection with, or arising out of any such assignment or transfer made, purported or claimed.

As further consideration for Employee's entering into the Offer Letter and this Release, the Company covenants and agrees that for one year after the date of this Release, the Company will not disparage Employee in any manner harmful to Employee's business or personal reputation. As further consideration for the Company entering into the Offer Letter and this Release, Employee covenants and agrees that for one year after the date of this Release, Employee will not disparage the Company in any manner harmful to the Company's business reputation; *provided*, that the foregoing restriction shall not be construed to limit or restrict any provision of the Offer Letter that prohibits Employee from disparaging the Company. Nothing set forth herein shall prevent Employee or the Company from providing accurate responses to requests for information if required by legal process, in connection with a government investigation, or as protected under the whistleblower provisions of federal or state law or regulation.

Notwithstanding anything to the contrary in this Release or the Offer Letter, the foregoing release shall not cover, and Employee does not intend to release, any rights of indemnification under the Company's Charter Documents (defined below) or rights to directors and officers liability insurance. The Company's charter documents include, as applicable, Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Limited Liability Company Agreement (collectively the "Charter Documents"). Employee further acknowledges that the Company's obligations under the Charter Documents with respect to indemnification are, to the extent required therein, conditioned upon receipt by the Company of an undertaking by Employee to repay any advanced or received amounts if it shall be determined by a court of competent jurisdiction by final judicial determination that Employee is not entitled to be indemnified by the Company under the Charter Documents.

**EMPLOYEE HAS READ THIS RELEASE AND BEEN PROVIDED A FULL AND AMPLE OPPORTUNITY TO STUDY IT, AND EMPLOYEE UNDERSTANDS THAT THIS IS A FULL AND COMPREHENSIVE RELEASE AND INCLUDES ANY CLAIM UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN ADVISED IN WRITING TO CONSULT WITH LEGAL COUNSEL BEFORE SIGNING THIS RELEASE AND THE OFFER LETTER, AND EMPLOYEE HAS CONSULTED WITH AN ATTORNEY. EMPLOYEE WAS GIVEN A PERIOD OF AT LEAST 21 DAYS TO CONSIDER SIGNING THIS RELEASE, AND EMPLOYEE HAS SEVEN DAYS FROM THE DATE OF SIGNING TO REVOKE EMPLOYEE'S ACCEPTANCE BY DELIVERING TIMELY NOTICE OF HIS REVOCATION TO THE COMPANY'S HUMAN RESOURCES DEPARTMENT AT ITS PRINCIPAL PLACE OF BUSINESS. EMPLOYEE IS SIGNING THIS RELEASE VOLUNTARILY, WITHOUT COERCION, AND WITH FULL KNOWLEDGE THAT IT IS INTENDED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, AS A COMPLETE AND FINAL RELEASE AND WAIVER OF ANY AND ALL CLAIMS. EMPLOYEE ACKNOWLEDGES AND AGREES THAT CERTAIN PAYMENTS SET FORTH IN THE OFFER LETTER ARE CONTINGENT UPON EMPLOYEE SIGNING THIS RELEASE AND WILL BE PAYABLE ONLY IF AND AFTER THE REVOCATION PERIOD HAS EXPIRED.**

**[**SIGNATURE PAGE FOLLOWS**]**

Employee has read this Release, fully understands it and freely and knowingly agrees to its terms.

Dated this _____ day of _____, 20___.

_____

**[Employee]**

**AGREED AND ACCEPTED:**

HYDROFARM, LLC

By: _____

Title: _____

Date: _____

[SIGNATURE PAGE TO RELEASE]

**APPENDIX B**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm Holdings Group, Inc. and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)-month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: 2/11/19

By: /s/ William Toler
Name: William Toler

**CONFIDENTIAL**

**EXHIBIT C**

**HYDROFARM HOLDINGS LLC**

**UNIT AWARD AGREEMENT**

This UNIT AWARD AGREEMENT (this " **Agreement**") is entered into as of [_____], 2017 (the "**Effective Date**"), by and between Hydrofarm Holdings LLC, a Delaware limited liability company (the "**Company**"), and [_____] (the "**Participant**"). Capitalized terms that are used but not defined herein have the meanings ascribed to them in the LLC Agreement (as defined below).

WHEREAS, the Company is governed by that certain Limited Liability Company Agreement of Hydrofarm Holdings LLC, dated as of [_____], 2017, by and among the Company and the Members from time to time party thereto, a copy of which is attached hereto as **Exhibit A** (as amended, supplemented or otherwise modified from time to time, the "**LLC Agreement**");

WHEREAS, pursuant to the LLC Agreement, the Company is authorized to grant Class P Units ("**Class P Units**") that are intended to constitute "profits interests" for applicable income tax purposes;

WHEREAS, this Agreement is intended to qualify for the exemption from registration under Section 4(2) or Rule 701 under the Securities Act or such other exemptions as may be available under the Securities Act; and

WHEREAS, as additional compensation for services provided by the Participant to the Company, the Company desires to grant Class P Units of the Company to the Participant on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**1. Defined Terms**.

"**Fair Market Value** " means the fair market value of the Class P Units, as determined in the good faith discretion of the Board as of the last day of the month completed most recently before any notice to repurchase the Class P Units is delivered.

"**Net Return**" means, as of the applicable date of determination, the return on investment realized by Hydrofarm Investment Corp., a Delaware corporation ("**Hawthorn**") with respect to all Units (regardless of class) held by Hawthorn, equal to the quotient of (a) the aggregate amount actually realized by Hawthorn and (b) the aggregate amount paid by Hawthorn for all Units held. The Net Return shall be calculated after taking into account the Class P Units, if any, which will vest pursuant to **Section 4**. Additionally, if contingent payments are to be received in connection with a Sale Event, the Net Return shall be calculated once such contingent payments are received; *provided*, *however*, that the Board in its good faith determination may, in its sole discretion, estimate such contingent payments and include such estimated contingent payments in its calculations of Net Return at the time of the Sale Event. For the avoidance of doubt, to the extent that Hawthorn owns Units indirectly through one or more other entities, such other entities shall be included within the definition of "Hawthorn" hereunder and any payment in respect of the Units owned by them shall be included for purposes of calculating Net Return.

"**Sale Event**" means any Approved Sale or, if not an Approved Sale, then any (a) Sale Transaction, (b) Corporate Conversion (*provided* such Corporate Conversion actually results in an initial Public Offering pursuant to Section 9.11 of the LLC Agreement) or (c) dissolution of the Company pursuant to Section 12.1 of the LLC Agreement.

**2. Grant of Units**. Upon the terms and conditions set forth in this Agreement, the Company hereby grants to the Participant effective as of the Effective Date (the "**Grant Date**"), [_____] Class P Units of the Company (the "**Granted Units**"). Such Granted Units are subject to the restrictions provided in this Agreement.

**3. Profits Interests; Initial Capital Account**. The Granted Units are each intended to constitute a "profits interest" in the Company within the meaning of Internal Revenue Service Revenue Procedures 93-27 and 2001-43. On the Grant Date, the Capital Account attributable to the Granted Units shall be zero.

**4. Vesting Conditions for Class P Units**. The Granted Units will vest and no longer be subject to forfeiture, in each case subject to the Participant's continued employment through the applicable vesting dates, as follows:

(a) fifty percent (50%) of the Granted Units will vest over a four -year period (the "**Time Vesting Units**"), whereby twenty-five percent (25%) of the Time Vesting Units will vest on the one (1) year anniversary of the Grant Date, with the remaining Time Vesting Units vesting in thirty-six (36) equal monthly installments thereafter, in each case subject to the Participant's continued employment through the applicable vesting dates; and

(b) fifty percent (50%) of the Granted Units will vest based on the following Company performance thresholds (the "**Performance Vesting Units**") measured as of the occurrence of a Sale Event:

(i) If the Net Return is less than 2.0:1.0, none of the Performance Vesting Units held by the Participant will vest.

(ii) If the Net Return is greater than or equal to 2.0:1.0, but less than 3.0:1.0, a portion of the Performance Vesting Units held by the Participant shall vest, which portion shall be determined by the following formula:

(A) the Net Return *minus* 2.0; *multiplied by*

(B) the total Performance Vesting Units held by the Participant.

(iii) If the Net Return is greater than or equal to 3.0:1.0, all of the Performance Vesting Units held by the Participant shall vest.

All of the Time Vesting Units will vest immediately prior to a Sale Event; provided that, in the case of each of clause (a) and (b) above, the Participant has provided continuous employment or service to the Company or any Related Company through such vesting date (the " **Vesting Schedule**"). The Board, in its sole discretion, at any time may accelerate vesting of the Granted Units. The Granted Units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as "**Vested Units**." Granted Units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as "**Unvested Units**."

**5. Forfeiture; Termination**.

**(a) Treatment of Units on Termination**.

(i) *Unvested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary, if the Participant terminates employment with the Company or any of its Subsidiaries, or if the Participant dies or becomes disabled, the Participant shall immediately forfeit all of the Unvested Units previously granted to the Participant pursuant to this Agreement.

(ii) *Vested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary without Cause (as defined in such Participant's employment agreement with the Company), if the Participant terminates employment with the Company or any of its Subsidiaries for Good Reason (as defined in such Participant's employment agreement with the Company) or if the Participant dies or becomes disabled, the Company may, in its sole discretion, within ninety (90) days following such termination, purchase any of the Vested Units for a price equal to the Fair Market Value on the date of termination. If the Company does not so purchase a Vested Unit, the Participant shall retain such Vested Unit. If the Participant resigns without Good Reason or the Company terminates the Participant's employment for Cause, all Vested Units previously granted to the Participant pursuant to this Agreement will be forfeited.

**(b) Effect of Forfeiture**. Upon the forfeiture of any Granted Units pursuant to this Agreement, the Participant (and the Participant's heirs, successors and assigns) shall thereafter have no right, title or interest whatsoever in such forfeited Granted Units and, if the Company does not have custody of any and all certificates representing such Granted Units, then the Participant shall immediately return to the Company any and all certificates representing the Granted Units so forfeited. The Participant will receive no payment from the Company in connection with the forfeiture of any Granted Units, including no distribution or payment in respect of the Participant's Capital Account or as a result of the Participant withdrawing or resigning as a Member of the Company. If the Granted Units granted hereunder have been forfeited, and the Participant owns no other Units of the Company, then the Participant will be automatically deemed to have withdrawn and resigned as a Member of the Company.

**6. LLC Agreement; Participation Threshold**. The terms and conditions of the Granted Units shall be as set forth herein and in the LLC Agreement. As a condition to the grant of the Granted Units pursuant to this Agreement, the Participant shall execute a counterpart signature page to the LLC Agreement, attached hereto as **Exhibit B**, agreeing to become a Member of the Company on the terms and subject to the conditions set forth in the LLC Agreement. If the Participant has a spouse, such spouse shall execute a spousal consent, attached hereto as **Exhibit C**. The Participation Threshold with respect to the Granted Units will be $**[0]** per Granted Unit.

**7. Limitations on Transfer**. In addition to the restrictions on transfer set forth in the LLC Agreement, the Participant may not Transfer any rights under this Agreement and the Participant's rights hereunder shall not be subject to pledge, encumbrance, hypothecation, execution, attachment or similar process, in each case whether voluntarily or involuntarily, by operation of law or otherwise. Any attempt to Transfer any of the rights under this Agreement or any of the Granted Units contrary to the provisions hereof and the levy of any attachment or similar process upon the Participant's rights hereunder or the Granted Units will be null and void.

**8. Representations and Warranties of the Participant**. The Participant hereby represents and warrants to the Company as of this date as follows:

(a) The Participant's residence and domicile is the State set forth on the signature page hereof and all discussions related to this Agreement and the Granted Units, and the offer and acceptance of this Agreement and the Granted Units, occurred in such State.

(b) The Participant is acquiring the Granted Units for the Participant's own account for investment and not with any view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. The Participant hereby consents to an appropriate legend on the certificates, if any, evidencing such Granted Units to such effect and to the effect that Granted Units may not be disposed of except in compliance with all federal and state securities laws. The Participant acknowledges and agrees that the Company shall have no obligation to register Granted Units granted to the Participant under federal or state securities laws either at the time the Granted Units are issued and delivered to the Participant or are proposed to be disposed of by the Participant unless otherwise expressly provided to the contrary in written agreements to which the Company and the Participant are parties.

(c) The Participant understands that (i) the Granted Units have not been registered under the Securities Act or applicable state securities laws, in reliance on exemptions from registration under the Securities Act and applicable state securities laws and (ii) no federal or state agency has made any finding or determination as to the fairness for investment, nor any recommendation or endorsement, of the Granted Units.

(d) The Participant acknowledges and agrees that (i) except as expressly provided for in this Agreement, no representations or warranties with respect to the Granted Units have been made to the Participant by the Company, any manager, officer, agent, employee, Subsidiary or Affiliate of the Company, or any other Persons, (ii) except for this Agreement and the LLC Agreement, there are no agreements, contracts, understandings or commitments between the Participant, on the one hand, and the Company, any Manager, Officer, agent, employee, Subsidiary or Affiliate of the Company, on the other hand, with respect to the Granted Units, (iii) in entering into this transaction the Participant is not relying upon any information, other than that contained in the LLC Agreement, this Agreement and the results of the Participant's own independent investigation, (iv) any future economic return with respect to the Granted Units is speculative and subject to a high degree of risk, and (v) the Granted Units are subject to forfeiture as set forth herein, are subject to dilution by the issuance of additional Units by the Company, and the Participant is not entitled to any preemptive, tag-along, information or other minority investor rights with respect to either the Granted Units, other than as expressly set forth in the LLC Agreement or as otherwise provided under applicable law.

(e) The Participant is fully informed and aware of the circumstances under which the Granted Units must be held and the restrictions upon the resale of the Granted Units under the LLC Agreement and the Securities Act and any applicable state securities laws. The Participant acknowledges that (i) the Granted Units have not been registered under the Securities Act and, therefore, cannot be sold unless they are registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration is available, (ii) the availability of an exemption may depend on factors over which the Participant or the Company has no control, (iii) unless so registered or exempt from registration the Granted Units may be required to be held for an indefinite period and (iv) the reliance of the Company and others upon the exemptions from registration referred to in the recitals is predicated in part upon this representation and warranty. The Participant understands that an exemption from registration is not presently available pursuant to Rule 144 promulgated under the Securities Act by the U.S. Securities and Exchange Commission, that there is no assurance that such exemption will ever become available to the Participant and that even if it were to become available, sales pursuant to Rule 144 would be limited in amount and could only be made in full compliance with the provisions of Rule 144.

(f) The Participant has full authority to enter into this Agreement and the LLC Agreement and perform the Participant's obligations hereunder and thereunder. This Agreement has been, and the LLC Agreement, upon the execution and delivery of the counterpart signature pages referred to in **Section 6**, will have been, duly and validly executed and delivered by the Participant and constitute or will constitute legal, valid and binding obligations of the Participant, enforceable against the Participant in accordance with their terms, subject, as to the enforcement of remedies, to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors and general principles of equity. The execution, delivery and performance of this Agreement does not and will not, and the execution and delivery of the LLC Agreement will not, conflict with, violate or cause a breach of any agreement, contract or instrument to which the Participant is a party or any judgment, order, decree or law to which the Participant is subject.

(g) The Participant understands that the Company's agreement to grant the Granted Units to the Participant is predicated, in part, on the representations, warranties and covenants of the Participant contained herein.

**9. Section 83(b) Election for Granted Units**.

(a) The Participant understands that under Section 83(a) of the Code, the excess (if any) of the Fair Market Value of the unvested Granted Units on the date the unvested Granted Units become vested over the purchase price, if any, paid for such Granted Units could be taxed as ordinary income subject to employment or self-employment taxes and tax reporting, as applicable. The unvested Granted Units are intended to qualify as "profits interests" in the Company for income tax purposes. Provided that the unvested Granted Units qualify as profits interests, the Fair Market Value of the unvested Granted Units on the Grant Date is deemed to be zero ($0) (and thus no tax generally would be payable by reason of the filing of the election). By filing a protective election within the 30-day period described below, the Participant should avoid the risk of adverse tax consequences in the future. The Participant understands that the Participant may elect under Section 83(b) of the Code to recognize income (in the amount of zero ($0)) at the time the unvested Granted Units are acquired, rather than when and as the unvested Granted Units vest. Such election (an "**83(b) Election**") must be filed with the Internal Revenue Service within thirty (30) days from the Grant Date of the Granted Units.

(b) THE FORM FOR MAKING AN 83(b) ELECTION IS ATTACHED TO THIS AGREEMENT AS **EXHIBIT D**. THE PARTICIPANT UNDERSTANDS THAT FAILURE TO FILE SUCH AN ELECTION WITHIN THE THIRTY (30)-DAY PERIOD MAY RESULT IN THE RECOGNITION OF ORDINARY INCOME BY THE PARTICIPANT AS THE FORFEITURE RESTRICTIONS LAPSE. THE PARTICIPANT FURTHER UNDERSTANDS THAT AN ADDITIONAL COPY OF SUCH ELECTION FORM SHOULD BE FILED WITH THE PARTICIPANT'S FEDERAL INCOME TAX RETURN FOR THE CALENDAR YEAR IN WHICH THE DATE OF THIS AGREEMENT FALLS. THE PARTICIPANT ACKNOWLEDGES THAT THE FOREGOING IS ONLY A SUMMARY OF THE FEDERAL INCOME TAX LAWS THAT APPLY TO THE RECEIPT OF THE UNVESTED UNITS UNDER THIS AGREEMENT AND DOES NOT PURPORT TO BE COMPLETE. THE PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY HAS DIRECTED THE PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF THE PARTICIPANT'S DEATH.

(c) The Participant agrees that the Participant will execute and deliver to the Company with this Agreement a copy of the 83(b) Election attached hereto as **Exhibit D**.

**10. Survival of Representations and Warranties; Indemnification**. All representations and warranties contained herein shall survive the execution of this Agreement and the grant of the Granted Units contemplated hereby. Each party agrees to indemnify and hold harmless the other from any liability, loss or expense (including reasonable attorneys' fees) if such party has breached any representation, warranty or agreement hereunder.

**11. Governing Law**. This Agreement is entered into under the laws of the State of Delaware and this Agreement (and any controversy or action arising out of or relating hereto) shall be construed and interpreted in accordance therewith.

**12. Discontinuance of Employment**. Neither this Agreement nor the issuance of the Granted Units shall give the Participant any right to continued employment by the Company or any of its Subsidiaries, or any of their respective Affiliates, and subject to the terms of any employment agreement among such parties, the Company, any of its Subsidiaries, and their Affiliates may terminate the Participant's employment for any reason whatsoever, with or without Cause, and otherwise deal with the Participant as an employee without regard to the effect any such action may have on the Participant's rights under this Agreement or the LLC Agreement. The Participant represents that the Participant is acquiring the Granted Units without any expectation that the ownership of any Granted Units will entitle the Participant to any rights as an employee of the Company, any of its Subsidiaries, or any of their Affiliates that would not exist if the Participant were not the owner of the Granted Units. The Participant further agrees that no change in his expectations concerning employment will have a reasonable basis unless set forth in a written agreement expressly giving the Participant additional rights as to such matters.

**13. Additional Securities**. Any additional securities issued to the Participant in respect of the Granted Units, will be subject to the terms and conditions contained herein in the same manner as the Granted Units, including forfeiture under **Section 5**.

**14. Review of Agreement; Complete Agreement**. The Participant confirms that the Participant has carefully reviewed this Agreement and the LLC Agreement and understands their terms. The Participant confirms that the Participant has consulted with legal counsel, or had ample opportunity to consult with legal counsel, representing Participant concerning this Agreement, the LLC Agreement and any other agreements between or among the Participant, the Company, and any of its or their present or prospective members, managers, officers or employees. This Agreement, together with the LLC Agreement, contains the complete agreement among the parties with respect to the grant of the Granted Units or any other incentive arrangement and supersedes all prior agreements and understandings among the parties hereto with respect hereto and thereto.

**15. Tax Acknowledgement**. Participant will pay to the Company, or the Company may deduct from any amounts payable to Participant, the amount of any applicable federal, state, local or foreign taxes that the Company determines is required to be withheld in connection with the issuance, vesting, forfeiture or purchase of the Granted Units, the distribution of any cash or other property on account of the Granted Units, or otherwise as a result of Participant's relationship with the Company. The Participant acknowledges and agrees that none of the Company, any of its Subsidiaries or any of their respective Affiliates has made any representations or warranties hereunder with respect to the economic or tax effect of the grant of the Granted Units (or any other incentive arrangements). The Participant has made his or her own independent evaluation of the Granted Units, including the economic and tax effect of them, either through his or her own analysis or through representatives such as legal counsel or accountants.

**16. Miscellaneous**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and, except as otherwise expressly provided herein, their respective heirs, executors, administrators, representatives, successors and permitted assigns. This Agreement may not be assigned, transferred or otherwise disposed of by the Participant, whether voluntarily or involuntarily, by operation of law or otherwise, without the prior written consent of the Company. No waiver of any provision of this Agreement is valid unless in writing and signed by the party against whom or which enforcement is sought and any such waiver is effective only in the specific instance described and for the purpose for which the waiver was given. The failure of any party to this Agreement to insist upon or enforce strict performance by any other party to this Agreement of any provision of this Agreement shall not be construed as a waiver or relinquishment of such right or related remedy. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. The word "or" will not be exclusive.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

**COMPANY:**

HYDROFARM HOLDINGS LLC

By: _____
Name: _____
Title: _____

**PARTICIPANT:**

_____
[_____]

Address of Participant: _____
_____

**EXHIBIT D**

**FORM OF**

**HYDROFARM HOLDINGS GROUP, INC.**
**2018 EQUITY INCENTIVE PLAN**

**STOCK OPTION GRANT NOTICE**

Hydrofarm Holdings Group, Inc. (the ***"Company")*** hereby grants to you a stock option (the ***"Option")*** to purchase shares of the Company's Common Stock under the Company's 2018 Equity Incentive Plan (the ***"Plan").*** The Option is subject to all the terms and conditions set forth in this Stock Option Grant Notice (this ***"Grant Notice")*** and in the Stock Option Agreement and in the Plan, which are attached to and incorporated into this Grant Notice in their entirety.

| | |
|---|---|
| **Participant:** | William Toler |
| **Grant Date:** | 1 |
| **Vesting Commencement Date:** | 2 |
| **Number of Shares Subject to Option:** | 3 |
| **Exercise Price (per Share):** | |
| **Option Expiration Date:** | _____ (subject to earlier termination in accordance with the terms of the Plan and the Stock Option Agreement) |
| **Type of Option:** | ☐ Incentive Stock Option* ☐ Nonqualified Stock Option |
| **Vesting and Exercisability Schedule (subject to continued employment or service):** | [1/16th of the shares subject to the Option will vest and become exercisable quarterly thereafter over the next four years such that the Option is fully vested and exercisable on the fourth anniversary of the Grant Date; provided, however, that the unvested portion of the Option shall become fully vested and excisable immediately prior to the occurrence of a Change in Control (as defined in the Plan as of the date hereof) and the unvested Options that by their terms vest over the twelve month period immediately following Participant's Qualifying Termination (as defined in Participant's employment agreement dated January__ , 2019 (the *"**Employment Agreement**"))* shall become vested and exercisable upon Participant's Qualifying Termination, provided that Participant complies with the terms of the Employment Agreement.] |

**Additional Terms/Acknowledgement:** You acknowledge receipt of, and understand and agree to, this Grant Notice, the Stock Option Agreement and the Plan. You further acknowledge that as of the Grant Date, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire

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[1] To be on or as soon as practicable following completion of the Registration, provided that if the Registration is not completed as of October 1, 2019, an option will be granted on October 1, 2019, and a subsequent true-up option will be granted upon completion of the Registration.

[2] To be Participant start date with Company.

[3] To be a number of shares of the Company's common stock equal to the difference between the number of shares of the Company's common stock held by Participant or subject to equity incentive awards or other convertible securities held by Participants and 5% of the Company's total outstanding common stock on the date of grant.

* See Sections 3, 4 and 5 of the Stock Option Agreement.

On the date the Performance-Based Vesting Requirement is satisfied, you will become vested in the number of RSUs that have satisfied the Time-Based Vesting Requirement, if any. If the Performance-Based Vesting Requirement is not satisfied, all your RSUs will expire, unvested (regardless of your satisfaction of the Time-Based Vesting Requirement), on the earlier of (x) the date of your Termination of Service and (y) the Expiration Date.

In addition, in the event that the Liquidity Event that occurs is a Change of Control (as defined in the Plan (as in effect on the Grant Date), but only if that transaction is also a change in ownership of the Company or a substantial portion of the Company's assets, per Treasury Regulation Section 1.409A 3(i)(5)(v) and (vii)) that satisfies the Performance-Based Vesting Requirement, then if and to the extent that the Successor Company does not convert, assume, substitute for or replace the Award, the Time-Based Vesting of the RSUs shall be accelerated and the RSUs shall be fully vested effective immediately prior to the Change of Control.

***"Liquidity Event"*** means the earlier to occur of (a) a Change of Control (as defined in the Plan as in effect on the Grant Date) or (b) an IPO. A Liquidity Event is a bona fide organizational goal of the Company, the occurrence of which prior to the Expiration Date the Board has determined is substantially uncertain as of the Grant Date.

***"IPO"*** means the effective date of the registration statement filed with the U.S. Securities and Exchange Commission relating to the initial public offering of a class of the Company's equity securities.

**Settlement Schedule:** With respect to any portion of the RSUs that satisfies both the Time-Based Vesting and Performance-Based Vesting conditions, the Company will settle the vested RSUs in shares of Common Stock as soon as practicable after the applicable vesting date, but in any event not later than March 15 of the year following the calendar year in which the RSUs became vested (that is, the expiration of the period determined under Treasury Regulation Section 1.409A-1(b)(4)).

**Additional Terms/Acknowledgement:** By accepting your Award, you acknowledge receipt of, and understand and agree to, the Award Notice, the RSU Agreement and the Plan, which together form the entire agreement between the parties on the matters set forth herein. You further acknowledge that the vesting of the RSUs pursuant to this Award Notice and the RSU Agreement is conditioned on the occurrence of Liquidity Event as well as your continued service. You further acknowledge that as of the Grant Date, the Award Notice, the RSU Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on the subject.

| **HYDROFARM HOLDINGS GROUP, INC.** | **PARTICIPANT** |
|---|---|
| By: _____ | _____ |
| Its: CFO | Signature |
| | Date: |
| | Address: |

**Attachments:**
1. Restricted Stock Unit Award Agreement
2. 2018 Equity Incentive Plan

**Exhibit 10.32**

**HYDROFARM HOLDINGS GROUP, INC.**

March 4, 2019

Terry Fitch

**Re: Employment Terms**

Dear Terry:

On behalf of Hydrofarm Holdings Group, Inc. (the "**Company**"), I am pleased to offer you employment at the Company on the terms set forth in this offer letter agreement (the "**Agreement**"), which will govern your employment with the Company. As you know, the Company is currently undergoing a registration of its securities with the U.S. Securities and Exchange Commission pursuant to which the Company will become a public reporting company under the Securities Exchange Act of 1934, as amended (the "**Registration**").

It is anticipated that your employment will commence on the date hereof (the "**Start Date**").

**1. Employment by the Company.**

(a) **Position.** You will serve as the Company's President. During the term of your employment with the Company, you will devote your reasonable best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies.

(b) **Duties and Location.** You will perform those duties and responsibilities as are customary for your position, and as may be directed by Chief Executive Officer ("CEO"), to whom you will report. Your primary office location will be the Company's Denver, Colorado location. Notwithstanding the foregoing, the Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, including, without limitation, at the Company's offices in Petaluma, California, and to require reasonable business travel.

**2. Base Salary and Employee Benefits.**

(a) **Salary.** From the Start Date until the earlier to occur of (i) completion of the Registration or (ii) September 30, 2019 (such earlier date the "**Salary Change Date**"), you will receive for services to be rendered hereunder base salary paid at the annualized rate of $150,000. Commencing on the day following the Salary Change Date, your base salary will be increased to the annualized rate of $300,000. Your base salary may be increased (but not decreased below $300,000 following the Salary Change Date without your written consent) by the Board in its sole discretion. Your base salary will be paid, less standard payroll deductions and tax withholdings, on the Company's ordinary payroll cycle. As an exempt salaried employee, you are expected to work the Company's normal business hours, and such additional time as appropriate for your work assignments and position, and you will not be entitled to overtime compensation.

(b) **Benefits.** As a regular full-time employee, you will be eligible to participate in the Company's standard employee benefits (pursuant to the terms and conditions of the benefit plans and applicable policies) that are available to the Company's employees from time to time.

(c) **Equity Awards.**

(i) **Restricted Stock Unit Awards**. On the Start Date, you will be granted an award of restricted stock units (the "**Sign-On RSU Award**") pursuant to the Restricted Stock Unit Award Notice and Restricted Stock Unit Agreement attached hereto as ***Exhibit C***. Prior to completion of the Registration and subject to approval by the Board at the time and in accordance with the terms of this Agreement, in the event that the Company issues additional shares of common stock with a value at the time of issuance up to an aggregate of $225,000,000 in connection with any merger or acquisition, you will be granted additional restricted stock units (each, a "**Follow-On RSU Award,**" and together with the Sign-On RSU Award, the "**RSU Awards**") in an amount equal to 1.8% of any such newly issued shares of common stock, in substantially similar form to ***Exhibit C***, with the Start Date as the vesting commencement date of each Follow-On RSU Award. For the avoidance of doubt, in no event shall the Company be required to grant you additional restricted stock units pursuant to the immediately preceding sentence with respect to any shares of the Company's common stock newly issued in connection with any merger or acquisition that are in excess of $225,000,000 in value at the time of issuance.

(ii) **Stock Options**. On (A) the date on which the Registration is completed and (B) if the Registration is not completed as of October 1, 2019, on October 1, 2019, subject to approval by the Board at the time and in accordance with the terms of this Agreement the Company will grant you an award of stock options (the "**Options**") to purchase that number of shares of the Company's common stock equal to the difference between the number of shares of the Company's common stock underlying the RSU Awards and 1.8% of the Company's total outstanding common stock on each such date. The specific terms and conditions (including the vesting schedule and the exercise price for the Options (which will be the fair market value of the Company's common stock on the date of grant, as determined by the Board in accordance with the Company's 2018 Equity Incentive Plan)) will be set forth in a Stock Option Grant Notice and Stock Option Agreement in substantially the form attached hereto as ***Exhibit D***.

(d) **Salary True-Up Bonus.** If you are actively employed by the Company from the Start Date through the Salary Change Date, you will receive a cash bonus (the "**Salary True-Up Bonus**") in an amount equal to (i) $150,000, multiplied by (ii) a fraction, the numerator of which is the number of calendar days that have elapsed between the Start Date and the Salary Change Date, and the denominator of which is 365. The Salary True-Up Bonus will be paid in a lump sum payment, less standard payroll deductions and tax withholdings, no later than October 31, 2019.

**3.** **Annual Bonus.** For each calendar year during the term of this Agreement, you will be eligible to earn an annual performance and retention bonus of up to fifty percent (50%) of your base salary rate (which, for the 2019 calendar year, shall be deemed to be $300,000) (the "**Annual Bonus**"). The Annual Bonus will be based upon the Board's assessment of your performance and the Company's attainment of goals, including annual EBITDA versus target EBITDA, as determined by the Board in consultation with you. Bonus payments, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Board will determine whether you have earned an Annual Bonus, and the amount of any such bonus, based on the achievement of such goals. You must remain an active employee through the end of any given calendar year in order to earn an Annual Bonus for that year and any such bonus will be paid no later than March 15th of the year following the year in which your right to such amount became vested.

**4. Expenses.** The Company will reimburse you for reasonable business travel, entertainment or other expenses incurred by you in furtherance or in connection with the performance of your duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

**5. Compliance with Confidentiality and Invention Assignment Agreement and Company Policies.**

(a) **Confidentiality and Invention Assignment Agreement.** You acknowledge that the Confidentiality and Invention Assignment Agreement (the "**Confidentiality Agreement**," a copy of which is attached hereto as ***Exhibit A***) executed in connection herewith is an integral component of your employment by the Company and is made a part of this Agreement by incorporation.

(b) **Non-Disclosure and Non-Use of Confidential Information.** At all times both during your employment with the Company, and after your employment relationship with the Company has ended for any reason, you agree that you will not, either directly or indirectly, and you will not permit any Covered Entity which you control to, either directly or indirectly, (i) divulge, use, disclose (in any way or in any manner, including by posting on the Internet), reproduce, distribute, or reverse engineer or otherwise provide Confidential Information to any person or entity; (ii) take any action that would make available Confidential Information to the general public in any form; or (iii) take any action that uses Confidential Information for solicitation or marketing for any service or product on your behalf or on behalf of any person or entity other than the Company or any of its Affiliates, except (A) as required in connection with the performance of your duties to the Company, (B) as required to be included in any report, statement or testimony requested by any municipal, state or national regulatory body having jurisdiction over you or any Covered Entity which is controlled by you, (C) as required in response to any summons or subpoena or in connection with any litigation, (D) to the extent necessary in order to comply with any law, order, regulation, ruling or governmental request applicable to you or any Covered Entity which is controlled by you, (E) as required in connection with an audit by any taxing authority, or (F) as permitted by the express written consent of the Board. In the event that you or any such Covered Entity that is controlled by you are required to disclose Confidential Information pursuant to the foregoing exceptions, you shall promptly notify the Company of such pending disclosure and assist the Company (at the Company's expense) in seeking a protective order or in objecting to such request, summons or subpoena with regard to the Confidential Information. If the Company does not obtain such relief prior to the time that you (or such Covered Entity) are legally compelled to disclose such Confidential Information, you (or such Covered Entity) may disclose that portion of the Confidential Information that your counsel advises you are legally compelled to disclose or else stand liable for contempt or suffer censure or penalty. In such cases, you shall promptly provide the Company with a copy of the Confidential Information so disclosed. This provision applies without limitation to unauthorized use of Confidential Information in any medium, including film, videotape, audiotape and writings of any kind (including books, articles, e-mails, texts, blogs and websites).

(c) **Compliance with Company Policies.** In addition, you are required to abide by the Company's policies and procedures, as modified from time to time within the Company's discretion including without limitation such policies with respect to legal compliance, conflicts of interest, confidentiality, compensation recovery (clawback), professional conduct and business ethics as are from time to time in effect; *provided*, *however*, that in the event the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. Nothing in this Agreement, or your Confidentiality Agreement, is intended to or will be used in any way to limit your rights to communicate with a government agency, as provided for, protected under or warranted by applicable law. Notwithstanding any other provision in this Agreement to the contrary and without limiting the foregoing sentence, pursuant to 18 USC Section 1833(b), you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to a court order. 18 USC Section 1833(b) does not preclude the trade secret owner from seeking breach of contract remedies.

**6. Protection of Third Party Information.** In your work for the Company, you will be expected not to make any unauthorized use or disclosure of any confidential or proprietary information, including trade secrets, of any former employer or other third party to whom you have contractual obligations to protect such information. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You represent that you are able to perform your job duties within these guidelines, and you are not in unauthorized possession of any unpublished documents, materials, electronically-recorded information, or other property belonging to any former employer or other third party to whom you have a contractual obligation to protect such property. In addition, you represent and warrant that your employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, that you will perform your duties to the Company without violating any such agreement(s), and that you have disclosed to the Company in writing any contract you have signed that may restrict your activities on behalf of the Company.

**7. Term.** The initial term of this Agreement shall be three (3) years commencing on the Start Date, unless terminated earlier pursuant to the terms herein (the "**Initial Term**"). This Agreement shall remain in force after the end of the Initial Term unless either party gives notice of non-renewal at least ninety (90) days prior to the end of the Initial Term or at any time after the end of the Initial Term, as applicable. The Initial Term or, in the event that your employment hereunder is terminated earlier pursuant to the terms hereof or continues thereafter pursuant to this Section 7, such shorter or longer period, as the case may be, is referred to herein as the "**Term**." Notwithstanding the foregoing, your employment relationship with the Company is at-will. Accordingly, subject to the terms set forth in this Agreement, you may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company; and the Company may terminate your employment at any time, with or without Cause or advance notice.

**8. Severance.** If, at any time, the Company terminates your employment without Cause (other than as a result of your death or disability), you resign for Good Reason, or your employment hereunder terminates due to the Company's non-renewal of this Agreement (whether at or after the end of the Initial Term) (each such termination referred to as a "**Qualifying Termination**"), provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then you will receive the Accrued Amounts (as defined in Section 9) and subject to Sections 10 and 11 below and your continued compliance with the terms of this Agreement (including without limitation Section 5 above), the Company will provide you with the following severance benefits (the "**Severance Benefits**"):

(a) **Cash Severance**. The Company will pay you, as cash severance, an amount equal to the greater of $150,000 or six (6) months of your base salary in effect as of your Separation from Service date (*provided that* if your employment termination is due to your resignation for Good Reason in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction) (collectively, the "**Severance**"). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

(b) **COBRA Severance**. As an additional Severance Benefit, if you timely (and properly) elect to continue your coverage under the Company's group health plan pursuant to Code Section 4980B(f) ("**COBRA**"), the Company will reimburse you for (or will pay directly, in the discretion of the Company) the premium charged for such coverage until the earliest to occur of (i) the six (6) month anniversary of your Separation from Service date, (ii) the date on which you obtain health care coverage from another source (e.g., a new employer or spouse's benefit plan), and (iii) the date on which you cease to be entitled to COBRA continuation coverage under the Company's group health plan; provided, however, that the Company may unilaterally amend or eliminate the benefit provided under this Section 8(b) to the extent it deems necessary to avoid imposition of excise taxes, penalties or similar charges on the Company or any of its Affiliates (or any of their respective successors), including, without limitation, under Code Section 4680D or 4980H. You must notify the Company within two (2) weeks if you obtain coverage from a new source.

(c) **Salary True-Up Bonus**. If your employment terminates before September 30, 2019 (for the avoidance of doubt as a result of the Company terminating your employment without Cause (other than as a result of your death or disability) or your resignation for Good Reason), the Company will pay you an amount equal to (i) $150,000, multiplied by (ii) a fraction, the numerator of which is the number of calendar days that have elapsed between the Start Date and your Separation from Service date, and the denominator of which is 365. This amount will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your Separation from Service date.

(d) **Accelerated Vesting**. All unvested time-based RSU Awards and all Stock Options held by you that by their terms vest over the twelve month period immediately following your Qualifying Termination shall immediately and automatically vest in full and, in the case of the Stock Options, shall remain exercisable for the period of time set forth in the applicable award agreements. All unvested time-based RSU Awards and all Stock Options held by you that by their terms vest following such twelve month period shall immediately terminate and be forfeited.

**9. Resignation Without Good Reason; Termination for Cause; Death or Disability.** If, at any time, you resign your employment without Good Reason, or the Company terminates your employment for Cause, or if either party terminates your employment as a result of your death or disability, you will receive (a) your base salary accrued through your last day of employment, (b) any unused vacation (if applicable) accrued through your last day of employment, (c) any earned but unpaid Annual Bonus for the calendar year ended immediately prior to your Separation from Service date (provided that any such Annual Bonus will be paid at the same time it would have been paid had your employment not terminated), and (d) reimbursement of any unreimbursed business expenses (collectively, the "**Accrued Amounts**"). Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any Severance Benefits, other than any rights to which you are entitled under the Company's benefit programs, stock option plan or equity grant documents between you and the Company.

**10. Conditions to Receipt of Severance Benefits.** Prior to and as a condition to your receipt of the Severance Benefits described above, you shall execute and deliver to the Company an effective release of claims in favor of the Company, in substantially the form attached hereto as ***Exhibit B*** (the "**Release**") within the timeframe set forth therein, but not later than forty-five (45) days following your Separation from Service date, and allow the Release to become effective according to its terms (by not invoking any legal right to revoke it) within any applicable time period set forth therein (such latest permitted effective date, the "**Release Deadline**"). Receipt of Severance Benefits is further subject to Section 11(d) below. Notwithstanding anything in this Agreement to the contrary, in no event will any Severance Benefits be paid prior to the first business day of the calendar year in which the Release Deadline occurs.

**11. Restrictive Covenants.** In recognition of the consideration set forth herein, the sufficiency of which is hereby acknowledged, and to protect the Confidential Information, goodwill and Customer and business relationships of the Company, you hereby covenant and agree that:

(a) **Non-Competition.** While employed and for six months after termination of your employment for any reason (the "**Restricted Term**"), you shall not, either directly or indirectly, individually or by or through any Covered Entity, whether for consideration or otherwise: (1) engage in (except on behalf of the Company or any of its Affiliates), or compete with the Company or any of its Affiliates in, a Competing Business anywhere in the Territory; or (2) form or assist others in forming, be employed by, perform services for, become an officer, director, member or partner of, or participant in, or consultant or independent contractor to, invest in or own any interest in (whether through equity or debt securities), assist (financially or otherwise) or lend your name, counsel or assistance to any entity engaged in a Competing Business anywhere in the Territory.

(b) **Non-Solicitation.** While employed and during the Restricted Term, you shall not, either directly or indirectly, individually or by or through any Covered Entity, whether for consideration or otherwise: (A) knowingly solicit or actually accept business from any Customer or Prospective Customer, in each case, for the purpose of providing goods or services on behalf of a Competing Business, (B) knowingly solicit or induce any Customer to terminate, reduce or alter, in a manner adverse to the Company or any of its Affiliates, any existing or potential business arrangement or agreement with the Company or any of its Affiliates, or (C) solicit, hire, attempt to solicit or attempt to hire any person who is or was an employee, third party consultant or independent contractor of the Company or any of its Affiliates at any time during the 12 months prior to such solicitation or hiring. The restrictions set forth in this Section 11(b) shall not prohibit any form of general advertising or solicitation that is not directed at a specific person or entity and does not relate to a Competing Business.

(c) **Non-Disparagement.** You will not, in any manner, directly or indirectly, on your own behalf or in conjunction with or for the benefit of any other person or entity, disparage, defame, or denigrate the Company or any of its Affiliates or their respective officers, directors, employees, stockholders, products or services in any manner harmful to their business reputation. The Company agrees that its officers and directors will not, in any manner, directly or indirectly, disparage, defame, or denigrate you in any manner harmful to your business or personal reputation. Notwithstanding the foregoing, nothing in this Section 11(c) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(d) **Conditional Severance Benefits.** You agree that the payment of any Severance Benefits is conditioned on your compliance with Sections 11(a), (b) and (c) and that, if you breach any of those sections, you (A) forfeit your rights to receive any Severance Benefits, and (B) will repay, or cause to be repaid, to the Company the full amount of any Severance Benefits paid by the Company to you prior to the date of such breach.

(e) **Enforcement.** You acknowledge that the covenants set forth in Sections 5, 6 and 11(a), (b) and (c) impose a reasonable restraint on you in light of the business and activities of the Company and its Affiliates. You acknowledge that your expertise is of a special and unique character which gives this expertise a particular value, and that a breach of Sections 5, 6 or 11(a), (b) or (c) by you will cause serious and potentially irreparable harm to the Company and its Affiliates. You therefore acknowledge that a breach of Sections 5, 6 or 11(a), (b) or (c) by you cannot be adequately compensated in an action for damages at law, and equitable relief would be necessary to protect the Company and its Affiliates from a violation of this Agreement and from the harm which this Agreement is intended to prevent. By reason thereof, you acknowledge that, notwithstanding any provision contained herein to the contrary, the Company and its Affiliates are entitled, in addition to any other remedies they may have under this Agreement or otherwise, to temporary, preliminary and permanent injunctive and other equitable relief (without the necessity of showing economic loss or other actual damages) to prevent or curtail any breach of this Agreement in any court of competent jurisdiction, in addition to any other legal or equitable remedies they may have. You acknowledge, however, that no specification in this Agreement of a specific legal or equitable remedy may be construed as a waiver of or prohibition against pursuing other legal or equitable remedies in the event of a breach of this Agreement by you. In the event of a breach or violation by you of any of the provisions of Section 11(a) or (b), the running of the Restricted Term shall be tolled during the continuance of any actual breach or violation. Other than with respect to a Company violation of Section 11(c) above, your sole and exclusive remedy in the event of a breach of this Agreement by the Company shall be payment of Severance Benefits.

(f) **Modification.** In the event that any provision or term of Section 11(a) or (b), or any word, phrase, clause, sentence or other portion thereof (including, without limitation, the geographic and temporal restrictions and provisions contained in Section 11(a) or (b)) is held to be unenforceable or invalid for any reason, such provision or portion thereof will be modified or deleted in such a manner as to be effective for the maximum period of time for which it/they may be enforceable and over the maximum geographical area as to which it/they may be enforceable and to the maximum extent in all other respects as to which it/they may be enforceable. Such modified restriction(s) shall be enforced by the court or adjudicator. In the event that modification is not possible, because each of your obligations in Section 11 is a separate and independent covenant, any unenforceable obligation shall be severed and all remaining obligations shall be enforced.

**12. Return of Company Property.** Upon the termination of your employment for any reason, as a precondition to your receipt of the Severance Benefits (if applicable), within five (5) days after your Separation from Service Date (or earlier if requested by the Company), you will return to the Company all Company documents (and all copies thereof) and other Company property within your possession, custody or control, including, but not limited to, Company files, notes, financial and operational information, Customer lists and contact information, product and services information, research and development information, drawings, records, plans, forecasts, reports, payroll information, spreadsheets, studies, analyses, compilations of data, proposals, agreements, sales and marketing information, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones, tablets, handheld devices, and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company, and all reproductions thereof in whole or in part and in any medium. You further agree that you will make a diligent search to locate any such documents, property and information and return them to the Company within the timeframe provided above. In addition, if you have used any personally-owned computer, server, or e-mail system to receive, store, review, prepare or transmit any confidential or proprietary data, materials or information of the Company, then within five (5) days after your Separation from Service date you must permanently delete and expunge such confidential or proprietary information from those systems without retaining any reproductions (in whole or in part). You shall deliver to the Company a signed statement certifying compliance with this Section 12 prior to the receipt of the Severance Benefits.

**13. Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

"**Affiliate**" means with respect to any party, any corporation, limited liability company, partnership, joint venture, firm and/or other entity that directly or indirectly controls, is controlled by or is under common control with such party, including any subsidiaries.

"**Cause**" for termination will mean your: (a) willful and continued failure to substantially perform your duties (other than as a result of incapacity due to physical or mental illness or other approved leave of absence); (b) gross negligence or willful misconduct in the course of your employment with the Company that causes or is likely to cause material harm to the Company; (c) engagement in conduct that discriminates or harasses another employee or contractor of the Company or any of its Affiliates on the basis of gender, race, color, creed, religion or sexual orientation; (d) conviction of, or plea of guilty or *nolo contendere* to, a crime involving moral turpitude; (e) intentional, material breach of this Agreement that causes or is likely to cause material harm to the Company; (f) intentional, material violation of the written policies of the Company, to the extent you have reasonable notice of such policies, that causes or is likely to cause material harm to the Company; or (g) material fraud with respect to, or embezzlement of material funds or property belonging to, the Company. Notwithstanding the foregoing, "Cause" shall not exist with respect to the events or circumstances described in sections (a), (b), (e), (f) or (g) of this paragraph unless and until the Company has given you written notice of the applicable event or circumstance within sixty (60) days of the date the Company has actual knowledge thereof, which notice specifically delineates such claimed misconduct or breach and informs you that you are required to cure such misconduct or breach (if curable) within thirty (30) days (the "**Executive Cure Period**") of the date of such notice, and such breach is not cured to the extent curable within the Executive Cure Period. If Cause exists pursuant to the preceding sentence in respect of an event described in sections (a), (b), (e), (f) or (g) of this paragraph, the Company may terminate your employment for Cause within forty-five (45) days after the end of the Executive Cure Period. If such curable misconduct or breach is cured within the Executive Cure Period, Cause shall be deemed not to exist. The Company shall not be permitted to terminate your employment for Cause in respect of an event described in sections (a), (b), (e), (f) or (g) of this paragraph if the Company fails to either (x) provide written notice of the applicable event or circumstance within sixty (60) days of the date the Board (other than you, if you are a member of the Board) has actual knowledge thereof, or (y) terminate your employment within the forty-five (45)-day period following the end of the applicable Executive Cure Period.

"**Competing Business**" means (i) any business involving or relating to the sale, distribution, marketing, wholesaling or manufacturing of hydroponic and similar products, including the acquisition and operation of any wholesaler or distributor of hydroponic equipment or any subsidiaries or Affiliates thereof, and (ii) any other business in which the Company or any of its Affiliates is engaged during the Term (as defined in Section 7).

"**Confidential Information**" means confidential or proprietary information and/or techniques of the Company or any of its Affiliates entrusted to, developed by, or made available to you, whether in writing, in computer form, reduced to a tangible form in any medium, or conveyed orally, that is not generally known by others in the form in which it is or was used by the Company or any of its Affiliates. Examples of Confidential Information include, without limitation: (i) sales, sales volume, sales methods, sales proposals, business plans or statements of work; (ii) Customers, Prospective Customers, and Customer records, including contact, preference and other Customer information; (iii) costs and general price lists and prices charged to specific Customers; (iv) the names, addresses, contact information and other information concerning any and all brokers, vendors and suppliers and prospective brokers, vendors and suppliers; (v) terms of contracts; (vi) non-public information and materials describing or relating to the business or financial affairs of the Company or any of its Affiliates, including but not limited to, financial statements, budgets, projections, financial and/or investment performance information, research reports, personnel matters, products, services, operating procedures, organizational responsibilities and marketing matters, policies or procedures; (vii) information and materials describing existing or new processes, products and services of the Company or any of its Affiliates, including marketing materials, analytical data and techniques, and product, service or marketing concepts under development by or for the Company or any of its Affiliates, and the status of such development; (viii) the business or strategic plans of the Company or any of its Affiliates; (ix) the information technology systems, network designs, computer program code, and application practices of the Company or any of its Affiliates; and (x) acquisition candidates of the Company or any of its Affiliates or any studies or assessments relating thereto. Confidential Information does not include information that becomes generally known to and available for use by the public other than as a result of your acts or omissions to act, including any breach of this Agreement.

"**Covered Entity**" means all of your Affiliates, and every business, association, trust, corporation, partnership, limited liability company, proprietorship or other entity in or to which you have an investment (whether through debt or equity securities), maintain any capital contribution or have made any advances, or in which any Affiliate of you has an ownership interest or profit sharing percentage. Your agreements contained herein specifically apply to each entity which is presently a Covered Entity or which becomes a Covered Entity subsequent to the date of this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement prohibits you from owning less than 3% of any class of voting securities, publicly held and quoted on a recognized securities exchange or inter-dealer quotation system, of any issuer, and no such issuer shall be considered a Covered Entity solely by virtue of such ownership or the incidents thereof.

"**Customer**" means any person or entity for whom the Company or any of its Affiliates (i) provides (or is contracted to provide) goods or services as of the date hereof or at any time during the Term, or (ii) has provided goods or services at any time during the one-year period prior to the date hereof.

"**Good Reason**" for resigning from employment with the Company shall exist if any of the following actions are taken by the Company without your prior written consent: (a) a material reduction in your base salary which the parties agree is a reduction of at least ten percent (10%) of your base salary; (b) a material reduction in your duties, responsibilities and/or authority; or (c) any material breach of this Agreement by the Company. In order to resign for Good Reason, you must provide written notice to the Board within sixty (60) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least thirty (30) days from receipt of such written notice to cure such event, and if such event is not cured within such period, you must resign from all positions you then hold with the Company not later than forty-five (45) days after the expiration of the cure period.

"**Prospective Customer**" means any person or entity with whom the Company or any of its Affiliates has communicated or whom the Company or any of its Affiliates has solicited for the purposes of obtaining such person or entity as a Customer and/or whom the Company or any of its Affiliates has analyzed concerning the potential of such person or entity to become a Customer, at any time during the one-year period prior to the date hereof or at any time during the Term.

"**Territory**" means anywhere in the world.

**14. Compliance with Section 409A.** It is intended that the payments and benefits set forth in this Agreement (including, without limitation, the Severance Benefits) satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended, (the "**Code**") (Section 409A, together with any state law of similar effect, "**Section 409A**"). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, (a) except to the extent any expense or reimbursement provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement in any other calendar year, (ii) the reimbursements for expenses for which you are entitled to be reimbursed will be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement hereunder may not be liquidated or exchanged for any other benefit and (b) if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and you are, on the date of your Separation from Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of adverse personal tax consequences under Section 409A, the timing of the Severance Benefits shall be delayed until the earliest of: (i) the date that is six (6) months and one (1) day after your Separation from Service date, (ii) the date of your death, or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments or benefits deferred pursuant to this Section 14 shall be paid in a lump sum or provided in full by the Company (or the successor entity thereto, as applicable), and any remaining payments due shall be paid as otherwise provided herein. No interest shall be due on any amounts so deferred. If the Severance Benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which you have a Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline. The Severance Benefits are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

**15. Section 280G; Parachute Payments.**

(a) If any payment or benefit you will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the 280G Payment that would result in no portion of the 280G Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the 280G Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax, results in your receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the 280G Payment may be subject to the Excise Tax. If a reduction in a 280G Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

(b) Notwithstanding any provision of subsection (a) above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the 280G Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for you as determined on an after-tax basis; (B) as a second priority, 280G Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before 280G Payments that are not contingent on future events; and (C) as a third priority, 280G Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before 280G Payments that are not deferred compensation within the meaning of Section 409A.

(c) Unless you and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the change in control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the change in control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 15. For purposes of making the determinations required by this Section 15, the accounting or law firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Executive and the Company agree to furnish such information and documents as the accounting or law firm may reasonably request in order to make a determination under this Section 15. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a 280G Payment becomes reasonably likely to occur (if requested at that time by you or the Company) or such other time as requested by you or the Company.

(d) If you receive a 280G Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 15(a) and the Internal Revenue Service determines thereafter that some portion of the 280G Payment is subject to the Excise Tax, you agree to promptly return to the Company a sufficient amount of the 280G Payment (after reduction pursuant to clause (x) of Section 15(a)) so that no portion of the remaining 280G Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 15(a), you shall have no obligation to return any portion of the 280G Payment pursuant to the preceding sentence.

**16. Dispute Resolution.** To ensure the timely and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, your employment, or the termination of your employment, including but not limited to statutory claims (including, without limitation, discrimination, harassment, wrongful termination or wage claims under the Labor Code), will be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in California, conducted by JAMS, Inc. ("**JAMS**") under the then-applicable JAMS rules (available at the following web address: http://www.jamsadr.com/rulesclauses, and which will be provided to you on request). **By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award.

The arbitrator shall be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The prevailing party in the arbitration may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the arbitrator. The costs of the arbitration shall be borne equally by the parties unless otherwise determined by the arbitrator in its award. Nothing in this letter is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

**17. Clawback.** You hereby acknowledge and agree that any payment hereunder will be subject to recovery by the Company pursuant to applicable law and any applicable Company compensation recovery policy as may be from time to time in effect.

**18. Reimbursement of Legal Expenses.** The Company shall pay directly, or reimburse you for, all reasonable legal expenses incurred by you in the negotiation and execution of this Agreement (including any exhibits hereto). Such payments and/or reimbursements shall occur within ten business days after you provide documentation to the Company of the legal expenses incurred.

**19. Confidentiality of this Agreement.** You agree to keep confidential the terms of this Agreement, unless and until such terms have been disclosed publicly other than through a breach by you of this covenant. This provision does not prohibit you from providing this information on a confidential and privileged basis to your attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law.

**20. Miscellaneous.** This Agreement (including exhibits), together with your Confidentiality Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's or Board's discretion in this Agreement, require a written modification approved by the Company and signed by a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. The Company represents and warrants that it is free to enter into this Agreement and has taken all corporate action necessary to authorize the execution and delivery of this Agreement and the performance of all of its obligations under this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile and electronic image copies of signatures shall be equivalent to original signatures.

Please sign and date this Agreement and the enclosed Confidentiality Agreement and return them to me. I would be happy to discuss any questions that you may have about these terms.

***[SIGNATURE PAGE FOLLOWS]***

We are delighted to be making this offer and the Company looks forward to your favorable reply and **to a** productive and enjoyable work relationship.

Sincerely,

/s/ Jeffrey Peterson
Jeffrey Peterson, Chief Financial Officer, Secretary and Treasurer
Hydrofarm Holdings Group, Inc.

**Reviewed, Understod, and Accepted:**

| | |
|---|---|
| /s/ Terry Fitch | 3/4/19 |
| Terry Fitch | Date |

**Exhibit A: Confidentiality and Invention Assignment Agreement**
**Exhibit B: Release**
**Exhibit C: Restricted Stock Unit Award Notice and Restricted Stock Unit Agreement**
**Exhibit D: Form of Stock Option Grant Notice and Stock Option Agreement**

**EXHIBIT A**

**PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

This PROPRIETARY INFORMATION AND INVENTION ASSIGNMENT AGREEMENT (this "Agreement"), dated as of April _____, 2017 (the "Effective Date"), is made and entered into by and between (i) Hydrofarm, Inc., a California corporation ("Company"), and (ii) _____, an individual resident in the State of _____ ("Employee").

**AGREEMENT**

In consideration of Employee's employment with Company, Employee's receipt of the compensation paid to Employee by Company and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Employment; Compensation**

(a) Employee understands and acknowledges that Employee's employment with the Company is for an unspecified duration and constitutes "at-will" employment. Employee acknowledges that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or employee, with or without notice.

(b) During the term of Employee's employment with the Company, Employee will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of Employee's employment; and, Employee will not engage in any other activities that conflict with Employee's obligations to the Company.

(c) In consideration for the covenants and obligations set forth herein, the Company will pay Employee the compensation set forth on **Appendix A**.

**2. Confidential Information**

(a) **Company Information**. During the term of Employee's employment (Employee's "Relationship with the Company"), Employee will have access to Confidential Information and Trade Secrets of the Company (collectively, the "Proprietary Information"). Employee acknowledges that all Proprietary Information that may exist from time to time is a valuable, special and unique asset of the Company, and access to and knowledge of which is essential to the performance of Employee's employment duties. Employee will keep confidential and not disclose (during the period of employment and thereafter, except that Employee is only required to hold any Proprietary Information that is not a Trade Secret in confidence for the maximum extent permitted by applicable law) to any other person or entity and will not use for Employee's own benefit or the benefit of any other person or entity (other than the Company) any Proprietary Information, except in a manner that has been expressly authorized by the formal written policies of the Company. "Confidential Information" means any Company proprietary information, technical data, or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee called or with whom Employee became acquainted during the term of Employee's Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to Employee by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved. "Trade Secrets" means, collectively, information, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) **Other Employer Information**. Employee will not improperly use or disclose to any member of the Company, or to any employee, officer, director, manager, equityholder, financing source, lender, partner, agent, contractor or representative of any member of the Company, any confidential or proprietary information (including unpublished patent applications or invention disclosures) belonging to any former employer of Employee or to any other person or entity to which Employee owes a duty of nondisclosure, unless consented to in writing by such employer, person or entity.

(c) **Third Party Information**. Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee will hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out Employee's duties to the Company consistent with the Company's agreement with such third party.

(d) **Defend Trade Secrets** Act. Notwithstanding any other provision of this Agreement to the contrary, pursuant to 18 USC Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 USC Section 1833(b) does not, however, preclude the trade secret owner from seeking breach of contract remedies.

**3. Intellectual Property**

(a) **Assignment of Intellectual Property**. Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designee, all of Employee's right, title and interest in and to any original works of authorship, trademarks, domain names, inventions (including the right to claim priority), concepts, improvements, processes, methods or Proprietary Information , whether or not patentable or registrable under copyright or similar laws that Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of Employee's Relationship with the Company, including such intellectual property developed by Employee for the Company prior to the Effective Date (collectively referred to as "Intellectual Property") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by Employee for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. All original works of authorship that are created by Employee (solely or jointly with others) within the scope of and during the period of Employee's Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal, and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Employee hereby waives such Moral Rights and consents to any action of Company that would violate such Moral Rights in the absence of such consent.

(b) **Patent and Copyright Registrations**. Employee will assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company deems necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers continues after the termination of this Agreement. In the event the Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's assistance in perfecting the rights transferred in this Agreement, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by Employee. The designation and appointment of the Company and its duly authorized officers and agents as Employee's agent and attorney in fact is deemed to be coupled with an interest and therefore irrevocable.

(c) **Maintenance of Records**. Employee will keep and maintain adequate and current written records of all Intellectual Property created by Employee (solely or jointly with others) during the term of Employee's Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) **Intellectual Property Retained and Licensed**. To the extent permitted by Section 2(b), Employee has accurately identified on Schedule 1 all ideas, methodologies, processes, inventions, discoveries and works of authorship, and all rights in any trademarks, service marks, trade secrets, copyrights, and patents, that Employee created prior to Employee's employment with the Company (collectively "Pre-Existing Work Product") that may reasonably relate to the current or future business of the Company. Except as provided herein, Employee will retain all right, title and interest in and to such Pre-Existing Work Product. Employee will promptly disclose to the Company any modifications or improvements to any Pre-Existing Work Product that fall within the definition of Intellectual Property (and hereby assigns rights thereto to the Company pursuant to Section 3(a)). If Employee, during the course of or resulting from employment with the Company, uses, creates, or otherwise provides Confidential Information, Intellectual Property or other works that incorporate or reasonably require the use of any of Employee's Pre-Existing Work Product, then Employee will promptly disclose such and hereby grants the Company an unrestricted, royalty-free, perpetual, irrevocable, transferable, license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit any and all such Pre-Existing Work Product, to the extent such grant of rights does not conflict with any contractual obligations of Employee existing prior to the Effective Date.

(e) **Exception to Assignments.** The foregoing provisions of this Agreement requiring assignment of Intellectual Property to the Company do not apply to any invention or Intellectual Property that cannot be assigned to the Company under the laws of the state in which Employee resides, and the notices set forth as **Appendix B** pertaining to Employee's state of residence applies to Employee and any such inventions and Intellectual Property.

(f) **Return of Company Documents**. At the time of leaving the employ of the Company and at other times as requested by Company, Employee will deliver to the Company (and will not keep in Employee's possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by Employee pursuant to Employee's Relationship with the Company or otherwise belonging to the Company or its successors or assigns. In the event of the termination of Employee's Relationship with the Company, Employee agrees to execute and deliver the "Termination Certificate" attached hereto as **Appendix C**.

**4. Notification of New Employer**

In the event that Employee leaves the employ of the Company, Employee hereby grants consent to notification by the Company to Employee's new employer or consulting client of Employee's rights and obligations under this Agreement.

**5. No Solicitation of Employees**

In consideration for Employee's Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, Employee agrees that, during the period of Employee's Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, Employee will not solicit the employment of any person who is then employed by the Company (as an employee or consultant), on behalf of Employee or any other person, firm, corporation, association or other entity, directly or indirectly.

**6. Representations and Warranties**

Employee represents and warrants that Employee's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Employee in confidence or in trust prior to Employee's Relationship with the Company. Employee has not entered into, and Employee will not enter into, any oral or written agreement in conflict herewith. Employee agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement.

**7. Equitable Relief**

Any disputes relating to or arising out of a breach of the covenants contained in this Agreement may cause the Company or Employee, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. No bond or other security is required in obtaining such equitable relief (unless such bond or security is otherwise required by law, in which event, Company and Employee hereby agree that a $5,000 US bond will be sufficient) and hereby consents to the issuance of such injunction and to the ordering of specific performance.

**8. General Provisions**

(a) **Governing Law; Consent to Personal Jurisdiction**. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement will be governed by and construed in accordance with the domestic laws of Employee's residence as of the Effective Date of this Agreement (as identified in the caption of this Agreement), without giving effect to any choice or conflict of law provision or rule (whether of such state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than such state. Employee hereby expressly consents to the nonexclusive personal jurisdiction and venue of the state and federal courts located in the federal Northern District of California for any lawsuit filed there by either party arising from or relating to this Agreement.

(b) **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matter herein and merges all prior discussions between the parties. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Employee's duties, salary or compensation will not affect the validity or scope of this Agreement.

(c) **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

(d) **Successors and Assigns**. Employee may not assign any of Employee's rights or delegate any of its obligations under this Agreement without the prior written consent of the Company. The Company may freely assign any of the Company's rights or delegate any of its obligations under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors, heirs and permitted assigns of the parties

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of the date first set forth above.

By: _____
Name: _____

Address:

_____
_____
_____

**WITNESS:**

By: _____
Name: _____

Address:

_____
_____
_____

**[SIGNATURE PAGE TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT]**

**APPENDIX A**

**Compensation Disclosure**

In considerations for the covenants and obligations set forth in the Agreement, Employee expressly acknowledge the receipt and sufficiency of the following compensation (*check all that apply*):

☐ **New, revised, or renewed compensation package.**

☐ **The sum of one hundred dollars ($100).**

☐ **Other (_____).**

**APPENDIX B**

**Invention Notice Schedule**

**California**

The following notice applies to employees who live in the State of California (and this Agreement does not apply to, and You have no obligation to assign to the Company any invention that fully qualifies with the following):

*(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:*

*(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or*

*(2) Result from any work performed by the employee for the employer.*

*(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. (California Labor Code Section 2870)*

**Delaware**

The following notice applies to employees who live in the State of Delaware:

*In accordance with Delaware law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility, or trade secret information, except for those inventions that (i) relate to the Company's business or actual or demonstrably anticipated research and development, or (ii) results from any work performed by Employee for the Company. (Delaware Code Annotated, Title 19, Section 805)*

**Illinois**

The following notice applies to employees who live in the State of Illinois:

*In accordance with Illinois law, this Agreement does not apply to, and Employee has no obligation to assign to the Company, an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research and development, or (b) the invention results from any work performed by Employee for the Company. (Illinois Compiled Statutes, Chapter 765, Section 1060)*

**Kansas**

The following notice applies to employees who live in the State of Kansas:

*In accordance with Kansas law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely Employee's own time, unless: (a) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for the Company. (Kansas Statutes Annotated §§ 44-130)*

**Minnesota**

The following notice applies to employees who live in the State of Minnesota:

*In accordance with Minnesota law, this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Employee's own time, and (a) which does not relate (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Employee for the Company. (Minnesota Statutes Annotated § 181.78)*

**North Carolina**

The following notice applies to employees who live in the State of North Carolina:

*In accordance with North Carolina law, this Agreement does not apply to an invention that Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facility or trade secret information except for those inventions that (a) relate to the Company's business or actual or demonstrably anticipated research or development, or (b) result from any work performed by Employee for the Company. (North Carolina General Statutes §§ 66-57.1, 66-57.2)*

**Utah**

The following notice applies to employees who live in the State of Utah:

*Employee acknowledges and agrees that this Agreement is not an employment agreement under Utah law or otherwise. However, if and only to the extent this Agreement is deemed to be covered by the restrictions set forth in Utah Code Ann. § 34-39-3, this Agreement will not apply to an invention that is created by Employee entirely on Employee's own time and is not an employment invention as defined in Utah Code Ann. § 34-39-2(1), except as permitted under Utah Code Ann. § 34-39-3.*

**Washington**

The following notice applies to employees who live in the State of Washington:

*Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate Employee to assign or offer to assign to the Company any of Employee's rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company. This satisfies the written notice and other requirements of RCW 49.44.140.*

**APPENDIX C**

**TERMINATION CERTIFICATE**

This is to certify that I do not have in my possession, nor have I failed to return, any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, or other documents or property, or reproductions of any aforementioned items, belonging to Hydrofarm, LLC and its subsidiaries, affiliates, successors or assigns (collectively, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Information and Inventions Agreement signed by me (the "Agreement"), including the reporting of any Intellectual Property (as defined therein) conceived or made by me (solely or jointly with others) covered by the Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, methods, know-how, designs, formulas, developmental or experimental work, computer programs, databases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

I agree that for twelve (12) months from this date, I will not to divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the prior twelve (12)-month period, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

I agree that for twelve (12) months from this date, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

I further agree that for twelve (12) months from this date, I will not solicit the employment of any person who will then be employed by the Company (as an employee or consultant) or who will have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly, all as provided more fully in the Agreement.

Dated: _____ By: _____

Name: _____

**SCHEDULE 1**

**PRE-EXISTING WORK PRODUCT**

**EXHIBIT B**

**RELEASE**

In exchange for good and valuable consideration set forth in that certain Offer Letter (the "Offer Letter"), dated as of [ ] between the undersigned, _____ ("Employee") and Hydrofarm, LLC, a California limited liability company ("Hydrofarm"), the sufficiency of which is hereby acknowledged, Employee, on behalf of himself, his executors, heirs, administrators, assigns and anyone else claiming by, through or under Employee, irrevocably and unconditionally, releases, and forever discharges Hydrofarm, its predecessors, successors and related and affiliated entities, including parents and subsidiaries, and each of their respective directors, officers, managers, shareholders, members, employees, attorneys, insurers, agents and representatives (collectively, the "Company"), from, and with respect to, any and all debts, demands, actions, causes of action, suits, covenants, contracts, wages, bonuses, damages and any and all claims, demands, liabilities, and expenses (including attorneys' fees and costs) whatsoever of any name or nature both in law and in equity that Employee now has, ever had or may in the future have against the Company with respect to Employee's employment with, or service as an officer, director or manager of, the Company (severally and collectively, "Claims"), including but not limited to, any and all Claims in tort or contract, whether by statute or common law, and any Claims relating to salary, wages, bonuses and commissions, incentive units, equity interests, the breach of any oral or written contract, unjust enrichment, promissory estoppel, misrepresentation, defamation, interference with prospective economic advantage, interference with contract, wrongful termination, intentional or negligent infliction of emotional distress, negligence, or breach of the covenant of good faith and fair dealing, and Claims arising out of, based on, or connected with the termination of Employee's employment, including any Claims for unlawful employment discrimination of any kind, whether based on age, race, sex, disability or otherwise, including specifically and without limitation, claims arising under or based on: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Americans with Disabilities Act; the Fair Labor Standards Act; the Employee Retirement Income Security Act of 1974; the Equal Pay Act of 1963; the Older Workers Benefits Protection Act; or any other local, state or federal equal employment opportunity or anti-discrimination law, statute, policy, order, ordinance or regulation affecting or relating to Claims that Employee ever had, now has, or claims to have against the Company; *provided*, *however*, that Employee does not release the Company with respect to claims arising out of or relating to its fraud, gross negligence or willful misconduct. This Release (this "Release") is not intended to release Claims which, as a matter of law or public policy, cannot be released.

By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California (and any other federal, state, or local law of similar effect) if and to the extent applicable. Section 1542 of the Civil Code of the State of California provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee warrants and represents that Employee has not assigned or transferred to any person or entity any of the Claims released by this Release, and Employee agrees to defend (by counsel of the Company's choosing), and to indemnify and hold harmless, the Company from and against any claims based on, in connection with, or arising out of any such assignment or transfer made, purported or claimed.

As further consideration for Employee's entering into the Offer Letter and this Release, the Company covenants and agrees that for one year after the date of this Release, the Company will not disparage Employee in any manner harmful to Employee's business or personal reputation. As further consideration for the Company entering into the Offer Letter and this Release, Employee covenants and agrees that for one year after the date of this Release, Employee will not disparage the Company in any manner harmful to the Company's business reputation; *provided*, that the foregoing restriction shall not be construed to limit or restrict any provision of the Offer Letter that prohibits Employee from disparaging the Company. Nothing set forth herein shall prevent Employee or the Company from providing accurate responses to requests for information if required by legal process, in connection with a government investigation, or as protected under the whistleblower provisions of federal or state law or regulation.

Notwithstanding anything to the contrary in this Release or the Offer Letter, the foregoing release shall not cover, and Employee does not intend to release, any rights of indemnification under the Company's Charter Documents (defined below) or rights to directors and officers liability insurance. The Company's charter documents include, as applicable, Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Limited Liability Company Agreement (collectively the "Charter Documents"). Employee further acknowledges that the Company's obligations under the Charter Documents with respect to indemnification are, to the extent required therein, conditioned upon receipt by the Company of an undertaking by Employee to repay any advanced or received amounts if it shall be determined by a court of competent jurisdiction by final judicial determination that Employee is not entitled to be indemnified by the Company under the Charter Documents.

**EMPLOYEE HAS READ THIS RELEASE AND BEEN PROVIDED A FULL AND AMPLE OPPORTUNITY TO STUDY IT, AND EMPLOYEE UNDERSTANDS THAT THIS IS A FULL AND COMPREHENSIVE RELEASE AND INCLUDES ANY CLAIM UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN ADVISED IN WRITING TO CONSULT WITH LEGAL COUNSEL BEFORE SIGNING THIS RELEASE AND THE OFFER LETTER, AND EMPLOYEE HAS CONSULTED WITH AN ATTORNEY. EMPLOYEE WAS GIVEN A PERIOD OF AT LEAST 21 DAYS TO CONSIDER SIGNING THIS RELEASE, AND EMPLOYEE HAS SEVEN DAYS FROM THE DATE OF SIGNING TO REVOKE EMPLOYEE'S ACCEPTANCE BY DELIVERING TIMELY NOTICE OF HIS REVOCATION TO THE COMPANY'S HUMAN RESOURCES DEPARTMENT AT ITS PRINCIPAL PLACE OF BUSINESS. EMPLOYEE IS SIGNING THIS RELEASE VOLUNTARILY, WITHOUT COERCION, AND WITH FULL KNOWLEDGE THAT IT IS INTENDED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, AS A COMPLETE AND FINAL RELEASE AND WAIVER OF ANY AND ALL CLAIMS. EMPLOYEE ACKNOWLEDGES AND AGREES THAT CERTAIN PAYMENTS SET FORTH IN THE OFFER LETTER ARE CONTINGENT UPON EMPLOYEE SIGNING THIS RELEASE AND WILL BE PAYABLE ONLY IF AND AFTER THE REVOCATION PERIOD HAS EXPIRED.**

**[**SIGNATURE PAGE FOLLOWS**]**

Employee has read this Release, fully understands it and freely and knowingly agrees to its terms.

Dated this _____ day of _____, 20___.

**[Employee]**

**AGREED AND ACCEPTED:**

HYDROFARM, LLC

By: _____

Title: _____

Date: _____

[SIGNATURE PAGE TO RELEASE]

**EXHIBIT C**

**CONFIDENTIAL**

**HYDROFARM HOLDINGS LLC**

**UNIT AWARD AGREEMENT**

This UNIT AWARD AGREEMENT (this " **Agreement**") is entered into as of [ _____], 2017 (the "**Effective Date**"), by and between Hydrofarm Holdings LLC, a Delaware limited liability company (the "**Company**"), and [_____] (the "**Participant**"). Capitalized terms that are used but not defined herein have the meanings ascribed to them in the LLC Agreement (as defined below).

WHEREAS, the Company is governed by that certain Limited Liability Company Agreement of Hydrofarm Holdings LLC, dated as of [_____], 2017, by and among the Company and the Members from time to time party thereto, a copy of which is attached hereto as **Exhibit A** (as amended, supplemented or otherwise modified from time to time, the "**LLC Agreement**");

WHEREAS, pursuant to the LLC Agreement, the Company is authorized to grant Class P Units ("**Class P Units**") that are intended to constitute "profits interests" for applicable income tax purposes;

WHEREAS, this Agreement is intended to qualify for the exemption from registration under Section 4(2) or Rule 701 under the Securities Act or such other exemptions as may be available under the Securities Act; and

WHEREAS, as additional compensation for services provided by the Participant to the Company, the Company desires to grant Class P Units of the Company to the Participant on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**1. Defined Terms**.

"**Fair Market Value** " means the fair market value of the Class P Units, as determined in the good faith discretion of the Board as of the last day of the month completed most recently before any notice to repurchase the Class P Units is delivered.

"**Net Return**" means, as of the applicable date of determination, the return on investment realized by Hydrofarm Investment Corp., a Delaware corporation ("**Hawthorn**") with respect to all Units (regardless of class) held by Hawthorn, equal to the quotient of (a) the aggregate amount actually realized by Hawthorn and (b) the aggregate amount paid by Hawthorn for all Units held. The Net Return shall be calculated after taking into account the Class P Units, if any, which will vest pursuant to **Section 4**. Additionally, if contingent payments are to be received in connection with a Sale Event, the Net Return shall be calculated once such contingent payments are received; *provided*, *however*, that the Board in its good faith determination may, in its sole discretion, estimate such contingent payments and include such estimated contingent payments in its calculations of Net Return at the time of the Sale Event. For the avoidance of doubt, to the extent that Hawthorn owns Units indirectly through one or more other entities, such other entities shall be included within the definition of "Hawthorn" hereunder and any payment in respect of the Units owned by them shall be included for purposes of calculating Net Return.

"**Sale Event**" means any Approved Sale or, if not an Approved Sale, then any (a) Sale Transaction, (b) Corporate Conversion (*provided* such Corporate Conversion actually results in an initial Public Offering pursuant to Section 9.11 of the LLC Agreement) or (c) dissolution of the Company pursuant to Section 12.1 of the LLC Agreement.

**2. Grant of Units**. Upon the terms and conditions set forth in this Agreement, the Company hereby grants to the Participant effective as of the Effective Date (the "**Grant Date**"), [_____] Class P Units of the Company (the "**Granted Units**"). Such Granted Units are subject to the restrictions provided in this Agreement.

**3. Profits Interests; Initial Capital Account**. The Granted Units are each intended to constitute a "profits interest" in the Company within the meaning of Internal Revenue Service Revenue Procedures 93-27 and 2001-43. On the Grant Date, the Capital Account attributable to the Granted Units shall be zero.

**4. Vesting Conditions for Class P Units**. The Granted Units will vest and no longer be subject to forfeiture, in each case subject to the Participant's continued employment through the applicable vesting dates, as follows:

(a) fifty percent (50%) of the Granted Units will vest over a four -year period (the "**Time Vesting Units**"), whereby twenty-five percent (25%) of the Time Vesting Units will vest on the one (1) year anniversary of the Grant Date, with the remaining Time Vesting Units vesting in thirty-six (36) equal monthly installments thereafter, in each case subject to the Participant's continued employment through the applicable vesting dates; and

(b) fifty percent (50%) of the Granted Units will vest based on the following Company performance thresholds (the "**Performance Vesting Units**") measured as of the occurrence of a Sale Event:

(i) If the Net Return is less than 2.0:1.0, none of the Performance Vesting Units held by the Participant will vest.

(ii) If the Net Return is greater than or equal to 2.0:1.0, but less than 3.0:1.0, a portion of the Performance Vesting Units held by the Participant shall vest, which portion shall be determined by the following formula:

(A) the Net Return *minus* 2.0; *multiplied by*

(B) the total Performance Vesting Units held by the Participant.

(iii) If the Net Return is greater than or equal to 3.0:1.0, all of the Performance Vesting Units held by the Participant shall vest.

All of the Time Vesting Units will vest immediately prior to a Sale Event; provided that, in the case of each of clause (a) and (b) above, the Participant has provided continuous employment or service to the Company or any Related Company through such vesting date (the " **Vesting Schedule**"). The Board, in its sole discretion, at any time may accelerate vesting of the Granted Units. The Granted Units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as "**Vested Units**." Granted Units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as "**Unvested Units**."

**5. Forfeiture; Termination**.

**(a) Treatment of Units on Termination**.

(i) *Unvested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary, if the Participant terminates employment with the Company or any of its Subsidiaries, or if the Participant dies or becomes disabled, the Participant shall immediately forfeit all of the Unvested Units previously granted to the Participant pursuant to this Agreement.

(ii) *Vested Units.* If the Participant's employment with the Company or any of its Subsidiaries is terminated by the Company or any such Subsidiary without Cause (as defined in such Participant's employment agreement with the Company), if the Participant terminates employment with the Company or any of its Subsidiaries for Good Reason (as defined in such Participant's employment agreement with the Company) or if the Participant dies or becomes disabled, the Company may, in its sole discretion, within ninety (90) days following such termination, purchase any of the Vested Units for a price equal to the Fair Market Value on the date of termination. If the Company does not so purchase a Vested Unit, the Participant shall retain such Vested Unit. If the Participant resigns without Good Reason or the Company terminates the Participant's employment for Cause, all Vested Units previously granted to the Participant pursuant to this Agreement will be forfeited.

**(b) Effect of Forfeiture**. Upon the forfeiture of any Granted Units pursuant to this Agreement, the Participant (and the Participant's heirs, successors and assigns) shall thereafter have no right, title or interest whatsoever in such forfeited Granted Units and, if the Company does not have custody of any and all certificates representing such Granted Units, then the Participant shall immediately return to the Company any and all certificates representing the Granted Units so forfeited. The Participant will receive no payment from the Company in connection with the forfeiture of any Granted Units, including no distribution or payment in respect of the Participant's Capital Account or as a result of the Participant withdrawing or resigning as a Member of the Company. If the Granted Units granted hereunder have been forfeited, and the Participant owns no other Units of the Company, then the Participant will be automatically deemed to have withdrawn and resigned as a Member of the Company.

**6. LLC Agreement; Participation Threshold**. The terms and conditions of the Granted Units shall be as set forth herein and in the LLC Agreement. As a condition to the grant of the Granted Units pursuant to this Agreement, the Participant shall execute a counterpart signature page to the LLC Agreement, attached hereto as **Exhibit B**, agreeing to become a Member of the Company on the terms and subject to the conditions set forth in the LLC Agreement. If the Participant has a spouse, such spouse shall execute a spousal consent, attached hereto as **Exhibit C**. The Participation Threshold with respect to the Granted Units will be $**[0]** per Granted Unit.

**7. Limitations on Transfer**. In addition to the restrictions on transfer set forth in the LLC Agreement, the Participant may not Transfer any rights under this Agreement and the Participant's rights hereunder shall not be subject to pledge, encumbrance, hypothecation, execution, attachment or similar process, in each case whether voluntarily or involuntarily, by operation of law or otherwise. Any attempt to Transfer any of the rights under this Agreement or any of the Granted Units contrary to the provisions hereof and the levy of any attachment or similar process upon the Participant's rights hereunder or the Granted Units will be null and void.

**8. Representations and Warranties of the Participant**. The Participant hereby represents and warrants to the Company as of this date as follows:

(a) The Participant's residence and domicile is the State set forth on the signature page hereof and all discussions related to this Agreement and the Granted Units, and the offer and acceptance of this Agreement and the Granted Units, occurred in such State.

(b) The Participant is acquiring the Granted Units for the Participant's own account for investment and not with any view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. The Participant hereby consents to an appropriate legend on the certificates, if any, evidencing such Granted Units to such effect and to the effect that Granted Units may not be disposed of except in compliance with all federal and state securities laws. The Participant acknowledges and agrees that the Company shall have no obligation to register Granted Units granted to the Participant under federal or state securities laws either at the time the Granted Units are issued and delivered to the Participant or are proposed to be disposed of by the Participant unless otherwise expressly provided to the contrary in written agreements to which the Company and the Participant are parties.

(c) The Participant understands that (i) the Granted Units have not been registered under the Securities Act or applicable state securities laws, in reliance on exemptions from registration under the Securities Act and applicable state securities laws and (ii) no federal or state agency has made any finding or determination as to the fairness for investment, nor any recommendation or endorsement, of the Granted Units.

(d) The Participant acknowledges and agrees that (i) except as expressly provided for in this Agreement, no representations or warranties with respect to the Granted Units have been made to the Participant by the Company, any manager, officer, agent, employee, Subsidiary or Affiliate of the Company, or any other Persons, (ii) except for this Agreement and the LLC Agreement, there are no agreements, contracts, understandings or commitments between the Participant, on the one hand, and the Company, any Manager, Officer, agent, employee, Subsidiary or Affiliate of the Company, on the other hand, with respect to the Granted Units, (iii) in entering into this transaction the Participant is not relying upon any information, other than that contained in the LLC Agreement, this Agreement and the results of the Participant's own independent investigation, (iv) any future economic return with respect to the Granted Units is speculative and subject to a high degree of risk, and (v) the Granted Units are subject to forfeiture as set forth herein, are subject to dilution by the issuance of additional Units by the Company, and the Participant is not entitled to any preemptive, tag-along, information or other minority investor rights with respect to either the Granted Units, other than as expressly set forth in the LLC Agreement or as otherwise provided under applicable law.

(e) The Participant is fully informed and aware of the circumstances under which the Granted Units must be held and the restrictions upon the resale of the Granted Units under the LLC Agreement and the Securities Act and any applicable state securities laws. The Participant acknowledges that (i) the Granted Units have not been registered under the Securities Act and, therefore, cannot be sold unless they are registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration is available, (ii) the availability of an exemption may depend on factors over which the Participant or the Company has no control, (iii) unless so registered or exempt from registration the Granted Units may be required to be held for an indefinite period and (iv) the reliance of the Company and others upon the exemptions from registration referred to in the recitals is predicated in part upon this representation and warranty. The Participant understands that an exemption from registration is not presently available pursuant to Rule 144 promulgated under the Securities Act by the U.S. Securities and Exchange Commission, that there is no assurance that such exemption will ever become available to the Participant and that even if it were to become available, sales pursuant to Rule 144 would be limited in amount and could only be made in full compliance with the provisions of Rule 144.

(f) The Participant has full authority to enter into this Agreement and the LLC Agreement and perform the Participant's obligations hereunder and thereunder. This Agreement has been, and the LLC Agreement, upon the execution and delivery of the counterpart signature pages referred to in **Section 6**, will have been, duly and validly executed and delivered by the Participant and constitute or will constitute legal, valid and binding obligations of the Participant, enforceable against the Participant in accordance with their terms, subject, as to the enforcement of remedies, to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors and general principles of equity. The execution, delivery and performance of this Agreement does not and will not, and the execution and delivery of the LLC Agreement will not, conflict with, violate or cause a breach of any agreement, contract or instrument to which the Participant is a party or any judgment, order, decree or law to which the Participant is subject.

(g) The Participant understands that the Company's agreement to grant the Granted Units to the Participant is predicated, in part, on the representations, warranties and covenants of the Participant contained herein.

**9. Section 83(b) Election for Granted Units**.

(a) The Participant understands that under Section 83(a) of the Code, the excess (if any) of the Fair Market Value of the unvested Granted Units on the date the unvested Granted Units become vested over the purchase price, if any, paid for such Granted Units could be taxed as ordinary income subject to employment or self-employment taxes and tax reporting, as applicable. The unvested Granted Units are intended to qualify as "profits interests" in the Company for income tax purposes. Provided that the unvested Granted Units qualify as profits interests, the Fair Market Value of the unvested Granted Units on the Grant Date is deemed to be zero ($0) (and thus no tax generally would be payable by reason of the filing of the election). By filing a protective election within the 30-day period described below, the Participant should avoid the risk of adverse tax consequences in the future. The Participant understands that the Participant may elect under Section 83(b) of the Code to recognize income (in the amount of zero ($0)) at the time the unvested Granted Units are acquired, rather than when and as the unvested Granted Units vest. Such election (an "**83(b) Election**") must be filed with the Internal Revenue Service within thirty (30) days from the Grant Date of the Granted Units.

(b) THE FORM FOR MAKING AN 83(b) ELECTION IS ATTACHED TO THIS AGREEMENT AS **EXHIBIT D**. THE PARTICIPANT UNDERSTANDS THAT FAILURE TO FILE SUCH AN ELECTION WITHIN THE THIRTY (30)-DAY PERIOD MAY RESULT IN THE RECOGNITION OF ORDINARY INCOME BY THE PARTICIPANT AS THE FORFEITURE RESTRICTIONS LAPSE. THE PARTICIPANT FURTHER UNDERSTANDS THAT AN ADDITIONAL COPY OF SUCH ELECTION FORM SHOULD BE FILED WITH THE PARTICIPANT'S FEDERAL INCOME TAX RETURN FOR THE CALENDAR YEAR IN WHICH THE DATE OF THIS AGREEMENT FALLS. THE PARTICIPANT ACKNOWLEDGES THAT THE FOREGOING IS ONLY A SUMMARY OF THE FEDERAL INCOME TAX LAWS THAT APPLY TO THE RECEIPT OF THE UNVESTED UNITS UNDER THIS AGREEMENT AND DOES NOT PURPORT TO BE COMPLETE. THE PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY HAS DIRECTED THE PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF THE PARTICIPANT'S DEATH.

(c) The Participant agrees that the Participant will execute and deliver to the Company with this Agreement a copy of the 83(b) Election attached hereto as **Exhibit D**.

**10. Survival of Representations and Warranties; Indemnification**. All representations and warranties contained herein shall survive the execution of this Agreement and the grant of the Granted Units contemplated hereby. Each party agrees to indemnify and hold harmless the other from any liability, loss or expense (including reasonable attorneys' fees) if such party has breached any representation, warranty or agreement hereunder.

**11. Governing Law**. This Agreement is entered into under the laws of the State of Delaware and this Agreement (and any controversy or action arising out of or relating hereto) shall be construed and interpreted in accordance therewith.

**12. Discontinuance of Employment**. Neither this Agreement nor the issuance of the Granted Units shall give the Participant any right to continued employment by the Company or any of its Subsidiaries, or any of their respective Affiliates, and subject to the terms of any employment agreement among such parties, the Company, any of its Subsidiaries, and their Affiliates may terminate the Participant's employment for any reason whatsoever, with or without Cause, and otherwise deal with the Participant as an employee without regard to the effect any such action may have on the Participant's rights under this Agreement or the LLC Agreement. The Participant represents that the Participant is acquiring the Granted Units without any expectation that the ownership of any Granted Units will entitle the Participant to any rights as an employee of the Company, any of its Subsidiaries, or any of their Affiliates that would not exist if the Participant were not the owner of the Granted Units. The Participant further agrees that no change in his expectations concerning employment will have a reasonable basis unless set forth in a written agreement expressly giving the Participant additional rights as to such matters.

**13. Additional Securities**. Any additional securities issued to the Participant in respect of the Granted Units, will be subject to the terms and conditions contained herein in the same manner as the Granted Units, including forfeiture under **Section 5**.

**14. Review of Agreement; Complete Agreement**. The Participant confirms that the Participant has carefully reviewed this Agreement and the LLC Agreement and understands their terms. The Participant confirms that the Participant has consulted with legal counsel, or had ample opportunity to consult with legal counsel, representing Participant concerning this Agreement, the LLC Agreement and any other agreements between or among the Participant, the Company, and any of its or their present or prospective members, managers, officers or employees. This Agreement, together with the LLC Agreement, contains the complete agreement among the parties with respect to the grant of the Granted Units or any other incentive arrangement and supersedes all prior agreements and understandings among the parties hereto with respect hereto and thereto.

**15. Tax Acknowledgement**. Participant will pay to the Company, or the Company may deduct from any amounts payable to Participant, the amount of any applicable federal, state, local or foreign taxes that the Company determines is required to be withheld in connection with the issuance, vesting, forfeiture or purchase of the Granted Units, the distribution of any cash or other property on account of the Granted Units, or otherwise as a result of Participant's relationship with the Company. The Participant acknowledges and agrees that none of the Company, any of its Subsidiaries or any of their respective Affiliates has made any representations or warranties hereunder with respect to the economic or tax effect of the grant of the Granted Units (or any other incentive arrangements). The Participant has made his or her own independent evaluation of the Granted Units, including the economic and tax effect of them, either through his or her own analysis or through representatives such as legal counsel or accountants.

**16. Miscellaneous**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and, except as otherwise expressly provided herein, their respective heirs, executors, administrators, representatives, successors and permitted assigns. This Agreement may not be assigned, transferred or otherwise disposed of by the Participant, whether voluntarily or involuntarily, by operation of law or otherwise, without the prior written consent of the Company. No waiver of any provision of this Agreement is valid unless in writing and signed by the party against whom or which enforcement is sought and any such waiver is effective only in the specific instance described and for the purpose for which the waiver was given. The failure of any party to this Agreement to insist upon or enforce strict performance by any other party to this Agreement of any provision of this Agreement shall not be construed as a waiver or relinquishment of such right or related remedy. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. The word "or" will not be exclusive.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

**COMPANY:**

HYDROFARM HOLDINGS LLC

By: _____
Name: _____
Title: _____

**PARTICIPANT:**

_____
[_____]

Address of Participant: _____

_____

**EXHIBIT D**

Option No._____

**HYDROFARM HOLDINGS GROUP, INC.**

**Stock Option Grant Notice**
Stock Option Grant under the Company's
2019 Employee, Director and Consultant Equity Incentive Plan

1. Name and Address of Participant: _____

2. Date of Option Grant: _____

3. Type of Grant: Non-Qualified Option

4. Maximum Number of Shares for which this Option is exercisable: _____

5. Exercise (purchase) price per share: _____

6. Option Expiration Date: _____

7. Vesting Start Date: _____

8. Vesting Schedule: This Option shall become exercisable (and the Shares issued upon exercise shall be vested) as follows provided the Participant is an Employee, director or Consultant of the Company or of an Affiliate on the applicable vesting date:

**[Insert Vesting Schedule]**

The foregoing rights are cumulative and are subject to the other terms and conditions of this Agreement and the Plan.

The Company and the Participant acknowledge receipt of this Stock Option Grant Notice and agree to the terms of the Stock Option Agreement attached hereto and incorporated by reference herein, the Company's 2019 Employee, Director and Consultant Equity Incentive Plan and the terms of this Option Grant as set forth above.

**HYDROFARM HOLDINGS GROUP, INC.**

By: _____
Name: _____
Title: _____

_____
Participant

**HYDROFARM HOLDINGS GROUP, INC.**

**STOCK OPTION AGREEMENT- INCORPORATED TERMS AND CONDITIONS**

AGREEMENT made as of the date of grant set forth in the Stock Option Grant Notice by and between (the "Company"), a Delaware corporation, and the individual whose name appears on the Stock Option Grant Notice (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, $.0001 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2019 Employee, Director and Consultant Equity Incentive Plan (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be a Non-Qualified Stock Option.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of the number of Shares set forth in the Stock Option Grant Notice, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. EXERCISE PRICE.

The exercise price of the Shares covered by the Option shall be the amount per Share set forth in the Stock Option Grant Notice, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Exercise Price"). Payment shall be made in accordance with Paragraph 9 of the Plan.

3. EXERCISABILITY OF OPTION.

Subject to the terms and conditions set forth in this Agreement and the Plan, the Option granted hereby shall become vested and exercisable as set forth in the Stock Option Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan.

4. TERM OF OPTION.

This Option shall terminate on the Option Expiration Date as specified in the Stock Option Grant Notice but shall be subject to earlier termination as provided herein or in the Plan.

If the Participant ceases to be an Employee, director or Consultant of the Company or of an Affiliate for any reason other than the death or Disability of the Participant, or termination of the Participant for Cause (the "Termination Date"), the Option to the extent then vested and exercisable pursuant to Section 3 hereof as of the Termination Date, and not previously terminated in accordance with this Agreement, may be exercised within three months after the Termination Date, or on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice, whichever is earlier, but may not be exercised thereafter except as set forth below. In such event, the unvested portion of the Option shall not be exercisable and shall expire and be cancelled on the Termination Date.

Notwithstanding the foregoing, in the event of the Participant's death within three (3) months after the Termination Date, the Participant's Survivors may exercise the Option within one (1) year after the Termination Date, but in no event after the Option Expiration Date as specified in the Stock Option Grant Notice, and this Option shall thereupon terminate.

In the event the Participant's service is terminated by the Company or an Affiliate for Cause, the Participant's right to exercise any unexercised portion of this Option even if vested shall cease immediately as of the time the Participant is notified his or her service is terminated for Cause, and this Option shall thereupon terminate. Notwithstanding anything herein to the contrary, if subsequent to the Participant's termination, but prior to the exercise of the Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then the Participant shall immediately cease to have any right to exercise the Option and this Option shall thereupon terminate.

In the event of the Disability of the Participant while an Employee, director or Consultant of the Company or of an Affiliate, as determined in accordance with the Plan, the Option shall be exercisable within one (1) year after the Participant's termination of service due to Disability or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(a) to the extent that the Option has become exercisable but has not been exercised as of the date of the Participant's termination of service due to Disability; and

(b) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

In the event of the death of the Participant while an Employee, director or Consultant of the Company or of an Affiliate, the Option shall be exercisable by the Participant's Survivors within one year after the date of death of the Participant or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(x) to the extent that the Option has become exercisable but has not been exercised as of the date of death; and

(y) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto (or in such other form acceptable to the Company, which may include electronic notice). Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Company). Payment of the Exercise Price for such Shares shall be made in accordance with Paragraph 9 of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution, or as otherwise provided in the Plan and approved by the Administrator. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges and agrees that (i) any income or other taxes due from the Participant with respect to this Option or the Shares issuable upon exercise of this Option shall be the Participant's responsibility; (ii) the Participant was free to use professional advisors of his or her choice in connection with this Agreement, has received advice from his or her professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; (iii) the Participant has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Affiliate or any Employee of or counsel to the Company or any Affiliate regarding any tax or other effects or implications of the Option, the Shares or other matters contemplated by this Agreement and (iv) neither the Administrator, the Company, its Affiliates, nor any of its officers or directors, shall be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the Internal Revenue Service were to determine that the Option constitutes deferred compensation under Section 409A of the Code.

This Option is designated in the Stock Option Grant Notice as a Non-Qualified Option and when such Non-Qualified Option is exercised, the Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless the Company has determined that such exercise and issuance would be exempt from the registration requirements of the 1933 Act and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares issued pursuant to such exercise:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and

(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Shares acquired by the Participant pursuant to the exercise of the Option granted hereby shall not be transferred by the Participant except as permitted **[herein] [in the Stockholders Agreement dated _____ between the Company and its stockholders (the "Stockholders Agreement")] [if the Participant becomes a party thereto, as set forth in the in the Stockholders Agreement dated _____ between the Company and its stockholders (the "Stockholders Agreement")]. If the Participant becomes a party to the Stockholders' Agreement by executing a signature page thereto and the terms of this Agreement and the Stockholders' Agreement conflict, the terms contained in the Stockholders' Agreement shall govern and supersede any conflicting provision contained in this Section 12].**[1]

[1] The first bracket should be used if the Participant is not a party to and not expected to become a party to a stockholders' agreement containing transfer restrictions and/or buyback provisions. The second bracket should be used if the Participant is or will become a party to a stockholders' agreement. In such case other portions of this section 12 should be deleted so that there is no conflict between the stockholders' agreement and the terms of this agreement. The third bracket and additional language regarding conflicting provisions should be used, together with the "herein" language if the Company wants to use a generic option agreement and some Participants are or will become a party to the stockholders agreement.

12.2 In the event of the Participant's termination of service for any reason, the Company shall have the option, but not the obligation, to repurchase all or any part of the Shares issued pursuant to this Agreement (including, without limitation, Shares purchased after termination of service, Disability or death in accordance with Section 4 hereof). In the event the Company does not, upon the termination of service of the Participant (as described above), exercise its option pursuant to this Section 12.2, the restrictions set forth in the balance of this Agreement shall not thereby lapse, and the Participant for himself or herself, his or her heirs, legatees, executors, administrators and other successors in interest, agrees that the Shares shall remain subject to such restrictions. The following provisions shall apply to a repurchase under this Section 12.2:

(i) The per share repurchase price of the Shares to be sold to the Company upon exercise of its option under this Section 12.2 shall be equal to the Fair Market Value of each such Share determined in accordance with the Plan as of the date of repurchase provided, however, in the event of a termination by the Company for Cause, the per share repurchase price of the Shares to be sold to the Company upon exercise of its option under this Section 12.2 shall be equal to **[the lesser of the Exercise Price and the Fair Market Value on the date of the repurchase] OR [par value]]**.[2]

(ii) The Company's option to repurchase the Participant's Shares in the event of termination of service shall be valid for a period of [**twelve**]([**12]**) months commencing with the date of such termination of service.[3]

(iii) In the event the Company shall be entitled to and shall elect to exercise its option to repurchase the Participant's Shares under this Section 12.2, the Company shall notify the Participant, or in case of death, his or her Survivor, in writing of its intent to repurchase the Shares. Such written notice may be mailed or sent by email by the Company up to and including the last day of the time period provided for in Section 12.2(ii) above for exercise of the Company's option to repurchase.

[2] Consider alternate price for termination for Cause.

[3] If the Company repurchases a participant's shares within six months of their issuance the company will incur a variable accounting charge. Therefore the repurchase period should be not less than nine months so the repurchase can occur after the participant has held the shares for six months.

(iv) The notice to the Participant shall specify the address at, and the time and date on, which payment of the repurchase price is to be made (the "Closing"). The date specified shall not be less than ten (10) days nor more than sixty (60) days from the date of the mailing of the notice, and the Participant or his or her successor in interest with respect to the Shares shall have no further rights as the owner thereof from and after the date specified in the notice. At the Closing, the repurchase price shall be delivered to the Participant or his or her successor in interest and the Shares being purchased, duly endorsed for transfer, shall, to the extent that they are not then in the possession of the Company, be delivered to the Company by the Participant or his or her successor in interest.

12.3 **[Alternative 1 –** As a condition precedent to the exercise of the Option, the Participant agrees to become a party to the Stockholders Agreement.**] [Alternative 2]** It shall be a condition precedent to the validity of any sale or other transfer of any Shares by the Participant that the following restrictions be complied with (except as otherwise provided in this Section 12)[4]:

(i) No Shares owned by the Participant may be sold, pledged or otherwise transferred (including by gift or devise) to any person or entity, voluntarily, or by operation of law, except in accordance with the terms and conditions hereinafter set forth.

(ii) Before selling or otherwise transferring all or part of the Shares, the Participant shall give written notice of such intention to the Company, which notice shall include the name of the proposed transferee, the proposed purchase price per share, the terms of payment of such purchase price and all other matters relating to such sale or transfer and shall be accompanied by a copy of the binding written agreement of the proposed transferee to purchase the Shares of the Participant. Such notice shall constitute a binding offer by the Participant to sell to the Company such number of the Shares then held by the Participant as are proposed to be sold in the notice at the monetary price per share designated in such notice, payable on the terms offered to the Participant by the proposed transferee (provided, however, that the Company shall not be required to meet any non-monetary terms of the proposed transfer, including, without limitation, delivery of other securities in exchange for the Shares proposed to be sold). The Company shall give written notice to the Participant as to whether such offer has been accepted in whole by the Company within sixty (60) days after its receipt of written notice from the Participant. The Company may only accept such offer in whole and may not accept such offer in part. Such acceptance notice shall fix a time, location and date for the Closing on such purchase ("Closing Date") which shall not be less than ten (10) nor more than sixty (60) days after the giving of the acceptance notice, provided, however, if any of the Shares to be sold pursuant to this Section 12.3 have been held by the Participant for less than six (6) months, then the Closing Date may be extended by the Company until no more than ten (10) days after such Shares have been held by the Participant for six (6) months if required under applicable accounting rules in effect at the time.5. The place for such Closing shall be at the Company's principal office. At such Closing, the Participant shall accept payment as set forth herein and shall deliver to the Company in exchange therefor certificates for the number of Shares stated in the notice accompanied by duly executed instruments of transfer.

[4] Conform with Section 12.1.

[5] If the Company repurchases a Participant's shares within six months of their issuance, the Company will incur a variable accounting charge. Accordingly, the Company should have the option to extend the Closing to avoid the variable accounting charge if it so desires.

(iii) If the Company shall fail to accept any such offer, the Participant shall be free to sell all, but not less than all, of the Shares set forth in his or her notice to the designated transferee at the price and terms designated in the Participant's notice, provided that (i) such sale is consummated within six (6) months after the giving of notice by the Participant to the Company as aforesaid, and (ii) the transferee first agrees in writing to be bound by the provisions of this Section 12 so that such transferee (and all subsequent transferees) shall thereafter only be permitted to sell or transfer the Shares in accordance with the terms hereof, and the Company's right of repurchase set forth in Section 12.2 above shall continue in accordance with its terms. After the expiration of such six (6) months, the provisions of this Section 12.3 shall again apply with respect to any proposed voluntary transfer of the Participant's Shares.

(iv) The restrictions on transfer contained in this Section 12.3 shall not apply to (a) transfers by the Participant to his or her spouse or children or to a trust for the benefit of his or her spouse or children, (b) transfers by the Participant to his or her guardian or conservator, and (c) transfers by the Participant, in the event of his or her death, to his or her executor(s) or administrator(s) or to trustee(s) under his or her will (collectively, "Permitted Transferees"); provided however, that in any such event the Shares so transferred in the hands of each such Permitted Transferee shall remain subject to this Agreement, and each such Permitted Transferee shall so acknowledge in writing as a condition precedent to the effectiveness of such transfer.

(v) The provisions of this Section 12.3 may be waived by the Company. Any such waiver may be unconditional or based upon such conditions as the Company may impose.

12.4 In the event that the Participant or his or her successor in interest fails to deliver the Shares to be repurchased by the Company under this Agreement, the Company may elect (a) to establish a segregated account in the amount of the repurchase price, such account to be turned over to the Participant or his or her successor in interest upon delivery of such Shares, and (b) immediately to take such action as is appropriate to transfer record title of such Shares from the Participant to the Company and to treat the Participant and such Shares in all respects as if delivery of such Shares had been made as required by this Agreement. The Participant hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

12.5 [In the event that (i) the Board of Directors and (ii) the holders of a majority of the then outstanding shares of Common Stock approve a Sale of the Company (as defined below), specifying that this Section 12.5 shall apply, then the Participant hereby agrees as follows with respect to the Shares and any other equity securities of the Company which the Participant holds or otherwise exercises dispositive power (the "Drag Along Shares"):

(i) in the event such Sale of the Company requires the approval of stockholders, (1) if the matter is to be brought to a vote at a stockholder meeting, after receiving proper notice of any meeting of stockholders of the Company to vote on the approval of a Sale of the Company, to be present, in person or by proxy, as a holder of Shares, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings; and (2) to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of such Sale of the Company and in opposition of any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Sale of the Company;

(ii) to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company; and

(iii) to sell to such third party on the terms offered by such third party the Drag Along Shares, or if such Sale of the Company involves less than all of the outstanding capital stock of the Company, the Participant's pro rata share of the Drag Along Shares, and to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Company.

As used herein, the following terms shall have the following respective meanings:

"Sale of the Company" means:

(i) a merger or consolidation in which (A) the Company is a constituent party or (B) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this clause (i) all shares of Common Stock issuable upon exercise of options or warrants outstanding immediately prior to such merger or consolidation or upon conversion of convertible securities immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged);

(ii) the sale, lease, transfer, exclusive license (other than an exclusive license approved by the Board of Directors) or other disposition of all or substantially all the assets of the Company and its subsidiaries taken as a whole, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license (other than an exclusive license approved by the Board of Directors) or other disposition is to a wholly owned subsidiary of the Company[; or

(iii) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred such that the stockholders of the Company immediately prior to the transaction or series of related transactions do not own a majority of the voting power of the surviving or acquiring entity following such transaction or series of transactions; other than any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof].]

12.6 If the Company shall pay a stock dividend or declare a stock split on or with respect to any of its Common Stock, or otherwise distribute securities of the Company to the holders of its Common Stock, the number of shares of stock or other securities of the Company issued with respect to the shares then subject to the restrictions contained in this Agreement shall be added to the Shares subject to the Company's rights to repurchase pursuant to this Agreement. If the Company shall distribute to its stockholders shares of stock of another corporation or equity in another entity, the shares of stock of such other corporation or equity in such other entity, distributed with respect to the Shares then subject to the restrictions contained in this Agreement, shall be added to the Shares subject to the Company's rights to repurchase pursuant to this Agreement.

12.7 If the outstanding shares of Common Stock of the Company shall be subdivided into a greater number of shares or combined into a smaller number of shares, or in the event of a reclassification of the outstanding shares of Common Stock of the Company, or if the Company shall be a party to a merger, consolidation or capital reorganization, there shall be substituted for the Shares then subject to the restrictions contained in this Agreement such amount and kind of securities as are issued in such subdivision, combination, reclassification, merger, consolidation or capital reorganization in respect of the Shares subject immediately prior thereto to the Company's rights to repurchase pursuant to this Agreement.

12.8 The Company shall not be required to transfer any Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Agreement, or to treat as owner of such Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Shares shall have been so sold, assigned or otherwise transferred, in violation of this Agreement.

12.9 The provisions of Sections 12.1, 12.2 and 12.3 shall terminate upon the effective date of the registration of the Shares pursuant to the Securities Exchange Act of 1934.

12.10 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with FINRA Rules or similar rules promulgated by another regulatory authority (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.11 The Participant acknowledges and agrees that neither the Company, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the service of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

12.12 All certificates representing the Shares to be issued to the Participant pursuant to this Agreement shall have endorsed thereon a legend substantially as follows: "The shares represented by this certificate are subject to restrictions set forth in a Stock Option Agreement dated [Date] with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request."

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Participant acknowledges that: (i) the Company is not by the Plan or this Option Agreement obligated to continue the Participant as an Employee, director or Consultant of the Company or an Affiliate; (ii) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (iii) the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iv) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (v) the Participant's participation in the Plan is voluntary; (vi) the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment or consulting contract, if any; and (vii) the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, or by email addressed as follows:

If to the Company:

Hydrofarm Holdings Group, Inc.
2249 South McDowell Boulevard Ext
Petaluma, California 94954
Attention: [_____]
Email: [_____]

If to the Participant at the address set forth on the Stock Option Grant Notice or such address as the Company may then have in its records for the Participant or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

15. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the Delaware, without giving effect to its internal principles governing the conflict of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in California and agree that such litigation shall be conducted in the state courts of Sonoma County, California or the federal courts of the United States for the District of California.

16. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

17. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

18. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

19. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

20. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; (ii) to the extent permitted by applicable law waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form for the purposes set forth in this Agreement.

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**Exhibit A**

NOTICE OF EXERCISE OF STOCK OPTION

**[Form for Unregistered Shares]**

To: Hydrofarm Holdings Group, Inc.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase [#] shares (the "Shares") of the common stock, $.0001 par value, of Hydrofarm Holdings Group, Inc. (the "Company"), at the exercise price of $[_____] per share, pursuant to and subject to the terms of that certain Stock Option Agreement between the undersigned and the Company dated [Date].

I am aware that the Shares have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. I understand that the reliance by the Company on exemptions under the 1933 Act is predicated in part upon the truth and accuracy of the statements by me in this Notice of Exercise.

I hereby represent and warrant that (1) I have been furnished with all information which I deem necessary to evaluate the merits and risks of the purchase of the Shares; (2) I have had the opportunity to ask questions concerning the Shares and the Company and all questions posed have been answered to my satisfaction; (3) I have been given the opportunity to obtain any additional information I deem necessary to verify the accuracy of any information obtained concerning the Shares and the Company; and (4) I have such knowledge and experience in financial and business matters that I am able to evaluate the merits and risks of purchasing the Shares and to make an informed investment decision relating thereto.

I hereby represent and warrant that I am purchasing the Shares for my own personal account for investment and not with a view to the sale or distribution of all or any part of the Shares.

I understand that because the Shares have not been registered under the 1933 Act, I must continue to bear the economic risk of the investment for an indefinite time and the Shares cannot be sold unless the Shares are subsequently registered under applicable federal and state securities laws or an exemption from such registration requirements is available.

I agree that I will in no event sell or distribute or otherwise dispose of all or any part of the Shares unless (1) there is an effective registration statement under the 1933 Act and applicable state securities laws covering any such transaction involving the Shares or (2) the Company receives an opinion of my legal counsel (concurred in by legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration.

I consent to the placing of a legend on my certificate for the Shares stating that the Shares have not been registered and setting forth the restrictions on transfer contemplated hereby and to the placing of a stop transfer order on the books of the Company and with any transfer agents against the Shares until the Shares may be legally resold or distributed without restriction.

I understand that at the present time Rule 144 of the Securities and Exchange Commission (the "SEC") may not be relied on for the resale or distribution of the Shares by me. I understand that the Company has no obligation to me to register the sale of the Shares with the SEC and has not represented to me that it will register the sale of the Shares.

I understand the terms and restrictions on the right to dispose of the Shares set forth in the 2019 Employee, Director and Consultant Equity Incentive Plan and the Stock Option Agreement, both of which I have carefully reviewed. I consent to the placing of a legend on my certificate for the Shares referring to such restriction and the placing of stop transfer orders until the Shares may be transferred in accordance with the terms of such restrictions.

**[I understand and agree that the Shares are subject to the NAME OF Stockholders' Agreement dated _____ between the Company and its stockholders (the "Stockholders' Agreement"), and if I am not already a party to the Stockholders' Agreement [and if the Company so requests] I agree to become a party to such agreement by execution of the counterpart signature page enclosed herewith. I acknowledge that I have read and understand the Stockholders' Agreement which sets forth certain restrictions and limitations on the Shares, including the ability to transfer or sell them in the future.][I further acknowledge and agree that to the extent the terms of Section 12 of the Option Agreement conflict with the Stockholders' Agreement, the terms contained in the Stockholders' Agreement shall govern.][6]**

I have considered the Federal, state and local income tax implications of the exercise of my Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

_____

Please issue the Shares (check one):

☐ to me; or

☐ to me and _____, as joint tenants with right of survivorship and mail the certificate to me at the following address:

_____

6 Conform with Sections 12.1 and 12.3 of the Option Agreement.

My mailing address for shareholder communications, if different from the address listed above is:

Very truly yours,

Participant (signature)

Print Name

Date

Social Security Number

**Exhibit B**

NOTICE OF EXERCISE OF STOCK OPTION

**[Form for Shares Registered in the United States]**

To: Hydrofarm Holdings Group, Inc.

**IMPORTANT NOTICE**: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase _____ shares (the "Shares") of the common stock, $.0001 par value, of Hydrofarm Holdings Group, Inc. (the "Company"), at the exercise price of $_____ per share, pursuant to and subject to the terms of that Stock Option Grant Notice dated _____, 201_.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

_____

Please issue the Shares (check one):

☐ to me; or

☐ to me and _____, as joint tenants with right of survivorship, at the following address:

_____
_____
_____

My mailing address for shareholder communications, if different from the address listed above, is:

_____

_____

_____

Very truly yours,

_____

Participant (signature)

_____

Print Name

_____

Date

_____

Social Security Number

**Exhibit 10.33**

2249 S. McDowell Ext. • Petaluma, California 94954

February 26, 2020

B.John Lindeman

Dear John,

We are pleased to offer you the position of Chief Financial Officer with Hydrofarm Holdings Group, Inc. (the "Company") reporting directly to me. This is an exempt position with an estimated annualized salary of $475,000.00 which will be paid in bi-weekly increments as earned and in accordance with the Company's normal payroll procedures.

As agreed upon, your approximate start date is to be determined. A performance and compensation review will be given one (1) year after your date of hire. You will be eligible to earn an annual performance bonus of up to fifty percent (50%) of base salary. The Annual Bonus will be based upon the Board's assessment of your performance and the Company's attainment of goals, including annual EBITDA versus target EBITDA, as determined by the Board. Notwithstanding the foregoing, for the first year of employment, fifty percent (50%) of the pro-rated annual performance bonus ($118,750 multiplied by the ratio of time employed at the Company during the calendar year of 2020) is guaranteed and will be paid in accordance with the Company's normal payroll procedures. In addition, you'll be entitled to a one-time bonus of $100,000 upon successful completion of Initial Public Offering.

You will also be awarded upon hire restricted stock units equal to 1.75% of the Company which vests as follows:

- 4-year vesting period
- 25% on anniversary date of 1 year of service
- After 1st year, prorated monthly vesting of l/36·th of remaining RSUs
- Termination: upon termination, 12 months of forward vesting

The company will also will pay you, as cash severance, an amount equal to the greater of $237,500 or six (6) months of your base salary in effect as of your separation from service date *(provided that* if your employment termination is due to your resignation in connection with the reduction of your base salary, then the cash severance payment herein will be based upon your base salary rate as of immediately prior to such reduction). The Severance will be paid, less standard payroll deductions and tax withholdings, in a lump sum payment on or before the day that is sixty (60) days following your separation from service date.

If you choose to accept this offer, your employment with the Company will be voluntarily entered into and will be for no specified period. As a result, you will be free to resign at any time, for any reason or for no reason, as you deem appropriate. The Company will have a similar right and may conclude its employment relationship with you at any time, with or without cause.

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

In addition, you will be eligible to participate in all the company benefits in accordance with the various policies, provisions and limitations.

As agreed upon, we will accommodate a flexible work arrangement for your position and the Company will reimburse reasonable travel expenses (i.e. airfare, hotel, airport parking, etc.) to and from the headquarters office of the Company in Petaluma, CA.

Employees are eligible to enter the 401k Plan the first of the month after 3 months of continuous employment.

Please contact Shanna Peterson at 707.658.4127 or Shanna@hydrofarm.com if you have any questions with regard to benefits or employment at Hydrofarm, LLC.

It is standard procedure to run a background check through backgroundchecks.com for all new employees, which includes criminal and credit. No applicant will be denied employment solely on the grounds of conviction of a criminal offense and/or credit report. The nature of the offense, the date of the offense, the surrounding circumstances and the relevance of the offense to the position(s) applied for may, however, be considered.

2249 S. McDowell Ext. • Petaluma, California 94954

We are excited about the skills and experience you will bring to Hydrofarm, and we feel you will be an excellent addition to our growing company.

Please indicate your acceptance of our offer by returning a signed and dated copy of this letter by Wednesday, February 26th 2020. Don't hesitate to contact me directly at 610-724-1959 or btoler@hydrofarm.com, if you have any further questions.

Sincerely yours,

William Toler

CEO

BT/sp

I accept the employment offer tendered above from Hydrofarm, LLC. I understand that this is not a contract of employment.

| /s/ B. John Lindeman | 2/26/2020 |
|---|---|
| B. John Lindeman | Date |

(800) 634.9990 - Fax (707) 773.5955 • shanna@hydrofarm.com • www.hydrofarm.com

**Exhibit 10.34**

**HYDROFARM HOLDINGS GROUP, INC.**

**2018 EQUITY INCENTIVE PLAN**

## SECTION 1. PURPOSE

The purpose of the Hydrofarm Holdings Group, Inc. 2018 Equity Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

## SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in ***Appendix A***.

## SECTION 3. ADMINISTRATION

### 3.1 Administration of the Plan

(a) The Plan shall be administered by the Board. Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to a committee or committees (which term includes subcommittees) consisting of one or more members of the Board, subject to such limitations as the Board deems appropriate. Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time.

(b) If and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, the Board shall consider in selecting the members of any committee acting as the Plan Administrator, (i) the provisions regarding "non-employee directors" as contemplated by Rule 16b-3(b)(3) under the Exchange Act, or any successor provision thereto, and (ii) the director independence requirements under stock exchange listing rules or rules of a similar regulatory authority applicable to the Company.

(c) To the extent consistent with applicable law, the Board (or an authorized committee thereof) may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board (or authorized committee); provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act.

(d) References in the Plan to the "***Plan Administrator***" shall be, as applicable, to the Board and, subject to the limits of any delegated authority, any committee of the Board or officer to whom authority to administer the Plan has been delegated.

**3.2 Administration and Interpretation by Plan Administrator**

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Plan Administrator shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (viii) establish such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (ix) delegate ministerial duties to such of the Company's employees as it so determines; and (x) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for administration of the Plan.

(b) Notwithstanding the foregoing, the Plan Administrator shall not have the right, without stockholder approval, to (i) reduce the exercise or grant price of an Option or SAR after it is granted; (ii) cancel an Option or SAR at a time when its exercise or grant price exceeds the Fair Market Value of the underlying stock, in exchange for cash, another option or stock appreciation right, restricted stock, or other equity award; or (iii) take any other action that is treated as a repricing under U.S. generally accepted accounting principles.

(c) The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors or executive officers, by the Plan Administrator, whose determination shall be final.

(d) Decisions of the Plan Administrator shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Plan Administrator may determine its actions.

## SECTION 4. SHARES SUBJECT TO THE PLAN

**4.1 Authorized Number of Shares**

Subject to adjustment from time to time as provided in Section 15.1, the number of shares of Common Stock available for issuance under the Plan shall be:

(a) 7,350,000 shares; plus

(b) as of the Final Close Date, that number of additional shares such that the total number of shares available for issuance under the Plan as of the Final Close Date equals 12.5% of the then issued and outstanding shares of Common Stock (rounded up to the nearest whole share).

Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

**4.2 Share Usage**

(a) If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall be available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.

(b) Notwithstanding any other provision of the Plan to the contrary, the Plan Administrator may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination and previously approved by the Acquired Entity's stockholders, then, to the extent determined by the Board, the shares available for grant pursuant to the terms of such preexisting plans (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of securities of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that the Board approves a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Plan Administrator without any further action by the Plan Administrator, and the persons holding such awards shall be deemed to be Participants.

(c) Notwithstanding any other provision of this Section 4.2 to the contrary, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall be 10,250,000 shares, subject to adjustment as provided in Section 15.1.

**4.3 Limits on Non-Employee Director Awards**

Notwithstanding any other provision of the Plan to the contrary, during any single calendar year, no member of the Board who is not also an employee of the Company or a Related Company may be granted Awards and cash compensation solely with respect to service as a member of the Board that exceeds in the aggregate $350,000 in value (such value for Awards that are denominated in shares of Common Stock computed as of the Grant Date of such Awards in accordance with applicable financial accounting standards). For purposes of the foregoing limit, Awards granted in previous calendar years shall not count against the Award limits in subsequent calendar years, even if the Awards from previous calendar years are earned, vest or are otherwise settled in calendar years following the calendar year in which they are granted.

## SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Plan Administrator from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

## SECTION 6. AWARDS

**6.1 Form, Grant and Settlement of Awards**

The Plan Administrator shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Plan Administrator shall determine.

**6.2 Evidence of Awards**

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Plan Administrator shall deem advisable and that are not inconsistent with the Plan.

**6.3 Dividends and Distributions**

Participants may, if the Plan Administrator so determines, be credited with dividends or dividend equivalents paid with respect to shares of Common Stock underlying an Award in a manner determined by the Plan Administrator in its sole discretion. The Plan Administrator may apply any restrictions to the dividends or dividend equivalents that the Plan Administrator deems appropriate. The Plan Administrator, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on the number of shares underlying an Option or Stock Appreciation Right may not be contingent, directly or indirectly, on the exercise of the Option or Stock Appreciation Right, and must comply with or qualify for an exemption under Section 409A. Also notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock must comply with or qualify for an exemption under Section 409A.

## SECTION 7. OPTIONS

**7.1 Grant of Options**

The Plan Administrator may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

**7.2 Option Exercise Price**

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and not less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options), except in the case of Substitute Awards.

**7.3 Term of Options**

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option (the "***Option Term***") shall be ten years from the Grant Date. For Incentive Stock Options, the Option Term shall be as specified in Section 8.4.

**7.4 Exercise of Options**

(a) The Plan Administrator shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable.

(b) To the extent an Option has become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Plan Administrator, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Plan Administrator, accompanied by payment in full as described in Section 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Plan Administrator.

**7.5 Payment of Exercise Price**

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Plan Administrator for that purchase, which forms may include:

(a) cash;

(b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of a Nonqualified Stock Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) tendering (either actually or, if and for as long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e) if and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any tax withholding obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Plan Administrator may permit.

**7.6 Effect of Termination of Service**

The Plan Administrator shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Plan Administrator at any time. If not so established and set forth in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Plan Administrator at any time:

(a) Any portion of an Option that is not vested and exercisable on the date of a Participant's Termination of Service shall expire on such date.

(b) Any portion of an Option that is vested and exercisable on the date of a Participant's Termination of Service shall expire on the earliest to occur of:

(i) if the Participant's Termination of Service occurs for reasons other than Cause, Disability or death, the date that is three months after such Termination of Service;

(ii) if the Participant's Termination of Service occurs by reason of Disability or death, the one-year anniversary of such Termination of Service; and

(iii) the Option Expiration Date.

Notwithstanding the foregoing, if a Participant dies after the Participant's Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (y) the Option Expiration Date and (z) the one-year anniversary of the date of death, unless the Plan Administrator determines otherwise.

Also notwithstanding the foregoing, in case a Participant's Termination of Service occurs for Cause, all Options granted to the Participant, whether vested or unvested, shall automatically expire and terminate upon first notification to the Participant of such termination, unless the Plan Administrator determines otherwise. If a Participant's employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant's rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's Termination of Service, any Option then held by the Participant may be immediately terminated by the Plan Administrator, in its sole discretion.

(c) If, following the date on which the initial registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act first becomes effective, the exercise of an Option following a Participant's Termination of Service, but while the Option is otherwise exercisable, would be prohibited solely because the issuance of Common Stock would violate either the registration requirements under the Securities Act or any similar requirements under the laws of any state or foreign jurisdiction, then the Option shall remain exercisable until the earlier of (i) the Option Expiration Date and (ii) the expiration of a period of three months (or such longer period of time as determined by the Plan Administrator in its sole discretion) after the Participant's Termination of Service during which the exercise of the Option would not be in violation of such Securities Act or similar requirements.

## SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder, including, to the extent required thereunder, the following:

### 8.1 Dollar Limitation

To the extent the aggregate Fair Market Value (determined as of the Grant Date) of Common Stock with respect to which a Participant's Incentive Stock Options become exercisable for the first time during any calendar year (under the Plan and all other stock option plans of the Company and its parent and subsidiary corporations) exceeds $100,000, such portion in excess of $100,000 shall be treated as a Nonqualified Stock Option. In the event the Participant holds two or more such Options that become exercisable for the first time in the same calendar year, such limitation shall be applied on the basis of the order in which such Options are granted.

### 8.2 Eligible Employees

Individuals who are not employees of the Company or one of its parent or subsidiary corporations may not be granted Incentive Stock Options.

### 8.3 Exercise Price

Incentive Stock Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date, and in the case of an Incentive Stock Option granted to a Participant who owns more than 10% of the total combined voting power of all classes of the stock of the Company or of its parent or subsidiary corporations (a "***Ten Percent Stockholder***"), shall be granted with an exercise price per share not less than 110% of the Fair Market Value of the Common Stock on the Grant Date. The determination of more than 10% ownership shall be made in accordance with Section 422 of the Code.

### 8.4 Option Term

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Incentive Stock Option shall not exceed ten years, and in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, shall not exceed five years.

### 8.5 Exercisability

An Option designated as an Incentive Stock Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option to the extent it is exercised (if permitted by the terms of the Option) (a) more than three months after the date of a Participant's termination of employment if termination was for reasons other than death or disability, (b) more than one year after the date of a Participant's termination of employment if termination was by reason of disability, or (c) more than six months following the first day of a Participant's leave of absence that exceeds three months, unless the Participant's reemployment rights are guaranteed by statute or contract.

**8.6 Taxation of Incentive Stock Options**

In order to obtain certain tax benefits afforded to Incentive Stock Options under Section 422 of the Code, the Participant must hold the shares acquired upon the exercise of an Incentive Stock Option for two years after the Grant Date and one year after the date of exercise.

A Participant may be subject to the alternative minimum tax at the time of exercise of an Incentive Stock Option. The Participant shall give the Company prompt notice of any disposition of shares acquired on the exercise of an Incentive Stock Option prior to the expiration of such holding periods.

**8.7 Code Definitions**

For the purposes of this Section 8, "disability," "parent corporation" and "subsidiary corporation" shall have the meanings attributed to those terms for purposes of Section 422 of the Code.

**8.8 Stockholder Approval**

If the stockholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan (or the Board's adoption of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code), Incentive Stock Options granted under the Plan after the date of the Board's adoption (or approval) will be treated as Nonqualified Stock Options. No Incentive Stock Options may be granted more than ten years after the earlier of the approval by the Board or the stockholders of the Plan (or any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code).

## SECTION 9. STOCK APPRECIATION RIGHTS

**9.1 Grant of Stock Appreciation Rights**

The Plan Administrator may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Plan Administrator shall determine in its sole discretion. An SAR may be granted in tandem with an Option ("***tandem SAR***") or alone ("***freestanding SAR***"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for the term as the Plan Administrator determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

**9.2 Payment of SAR Amount**

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Plan Administrator as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Plan Administrator in its sole discretion.

**9.3 Waiver of Restrictions**

The Plan Administrator, in its sole discretion, may waive any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and conditions as the Plan Administrator shall deem appropriate.

**SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS**

**10.1 Grant of Stock Awards, Restricted Stock and Stock Units**

The Plan Administrator may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Plan Administrator shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

**10.2 Vesting of Restricted Stock and Stock Units**

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions on Restricted Stock or Stock Units, as determined by the Plan Administrator,

(a) the shares covered by each Award of Restricted Stock shall become freely transferable by the Participant subject to the terms and conditions of the Plan, the instrument evidencing the Award, and applicable securities laws, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

**10.3 Waiver of Restrictions**

The Plan Administrator, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Plan Administrator shall deem appropriate.

## SECTION 11. PERFORMANCE AWARDS

**11.1 Performance Shares**

The Plan Administrator may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Plan Administrator shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Plan Administrator, and other terms and conditions specified by the Plan Administrator. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Plan Administrator shall determine in its sole discretion.

**11.2 Performance Units**

The Plan Administrator may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Plan Administrator shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Plan Administrator, and other terms and conditions specified by the Plan Administrator. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Plan Administrator shall determine in its sole discretion.

## SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Plan Administrator deems appropriate, the Plan Administrator may grant other incentives payable in cash or in shares of Common Stock under the Plan.

## SECTION 13. WITHHOLDING

(a) The Company may require the Participant to pay to the Company or a Related Company, as applicable, the amount of (i) any taxes that the Company or a Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("***tax withholding obligations***") and (ii) any amounts due from the Participant to the Company or to any Related Company ("***other obligations***"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

(b) The Plan Administrator, in its sole discretion, may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (i) paying cash to the Company or a Related Company, as applicable, (ii) having the Company or a Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (iv) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of any shares so withheld or tendered may not exceed the employer's applicable minimum required tax withholding rate or other applicable rate as is necessary to avoid adverse treatment for financial accounting purposes, as determined by the Plan Administrator in its sole discretion.

## SECTION 14. RESTRICTIONS ON TRANSFER OF AWARDS

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the Code with respect to Incentive Stock Options, the Plan Administrator, in its sole discretion, may permit a Participant to assign or transfer an Award, subject to such terms and conditions as the Plan Administrator shall specify.

## SECTION 15. ADJUSTMENTS

### 15.1 Adjustment of Shares

In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (a) outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or any other company or (b) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, then the Plan Administrator shall make proportional adjustments in (i) the maximum number and kind of securities available for issuance under the Plan; (ii) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.2(c); and (iii) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities, without any change in the aggregate price to be paid therefor. The determination by the Plan Administrator as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Change in Control shall not be governed by this Section 15.1 but shall be governed by Sections 15.2 and 15.3, respectively.

### 15.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Plan Administrator in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Plan Administrator, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

### 15.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Plan Administrator shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between a Participant and the Company or a Related Company, in the event of a Change in Control:

(a) If the Change in Control is a Company Transaction in which Awards, other than Performance Shares, Performance Units or other performance-based Awards, could be converted, assumed, substituted for or replaced by the Successor Company, then, if and to the extent that the Successor Company converts, assumes, substitutes for or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award. If and to the extent that such Awards are not converted, assumed, substituted for or replaced by the Successor Company or the Change in Control is not a Company Transaction in which Awards could be converted, assumed, substituted for or replaced, such outstanding Awards, other than Performance Shares, Performance Units or other performance-based Awards, shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and such Awards shall terminate at the effective time of the Change in Control.

For the purposes of this Section 15.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Change in Control, the Award confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the Change in Control by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Company, the Plan Administrator may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. The determination of such substantial equality of value of consideration shall be made by the Plan Administrator, and its determination shall be conclusive and binding.

(b) All Performance Shares, Performance Units or other performance-based Awards earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any outstanding Performance Shares, Performance Units or other performance-based Awards (including with respect to any applicable performance period) for which the payout level has not been determined shall be prorated at the target payout level up to and including the date of such Change in Control and shall be payable in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Plan Administrator in its sole discretion shall remain in effect.

(c) Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may instead provide in the event of a Change in Control that a Participant's outstanding Awards shall terminate upon or immediately prior to such Change in Control and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the Acquisition Price, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Plan Administrator in its sole discretion), exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards. For the avoidance of doubt, if the Plan Administrator determines in good faith that no amount would be payable pursuant to this provision, then such Awards may be terminated without payment of any consideration therefor.

(d) For the avoidance of doubt, nothing in this Section 15.3 requires all outstanding Awards (or portions thereof) to be treated similarly.

**15.4 Further Adjustment of Awards**

Subject to Sections 15.2 and 15.3, the Plan Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or other similar transaction, as defined by the Plan Administrator, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Plan Administrator may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Plan Administrator may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or other similar transaction that is the reason for such action.

**15.5 No Limitations**

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

**15.6 Fractional Shares**

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

**15.7 Section 409A**

Subject to Section 18.5, but notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 15 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

## SECTION 16. MARKET STANDOFF

In the event of an underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, a Participant shall not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose of or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any securities of the Company however or whenever acquired (except for those being registered) without the prior written consent of the Company or the underwriters. Such limitations shall be in effect for such period of time as may be requested by the Company or such underwriters; provided, however, that in no event shall such period exceed (a) 180 days after the effective date of the registration statement for such public offering or (b) such longer period requested by the underwriters as is necessary to comply with regulatory restrictions on the publication of research reports (including, but not limited to, FINRA Rule 2241, or any amendments or successor rules). The Participant shall execute an agreement reflecting the limitation of this Section 16 as may be requested by the underwriters at the time of such public offering. The limitations of this Section 16 shall in all events terminate two years after the effective date of the registration statement for the Company's initial public offering pursuant to an effective registration statement filed under the Securities Act.

In the event of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the Company's outstanding Common Stock effected as a class without the Company's receipt of consideration, any new, substituted or additional securities distributed with respect to the shares issued under the Plan shall be immediately subject to the provisions of this Section 16, to the same extent the shares issued under the Plan are at such time covered by such provisions.

In order to enforce the limitations of this Section 16, the Company may impose stop-transfer instructions with respect to the shares until the end of the applicable standoff period.

## SECTION 17. AMENDMENT AND TERMINATION

### 17.1 Amendment, Suspension or Termination

The Board or an authorized committee thereof may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that the Board shall be required to approve any amendment that requires stockholder approval. Subject to Section 17.3, the Board or an authorized committee thereof may amend the terms of any outstanding Award, prospectively or retroactively.

### 17.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall automatically terminate on the tenth anniversary of the earlier of (a) the date the Board adopted the Plan and (b) the date stockholders approved the Plan. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

**17.3 Consent of Participant**

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

Subject to Section 18.5, but notwithstanding any other provision of the Plan to the contrary, the Board or an authorized committee thereof shall have broad authority to amend the Plan or any outstanding Award without the consent of any Participant to the extent deemed necessary or advisable to comply with, or take into account, changes in applicable tax laws, securities laws, accounting rules or other applicable law, rule or regulation.

## SECTION 18. GENERAL

**18.1 No Individual Rights**

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

**18.2 Issuance of Shares**

(a) Notwithstanding any other provision of the Plan to the contrary, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (a) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (b) such other action or agreement by the Participant as may from time to time be necessary to comply with federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Plan Administrator may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on an uncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

**18.3 Indemnification**

Each person who is or shall have been a member of the Board, or a member of a committee of the Board or an officer of the Company to whom authority to administer the Plan has been delegated in accordance with Section 3.1, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

**18.4 No Rights as a Stockholder**

Unless otherwise provided by the Plan Administrator or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or an Award of Restricted Stock, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

**18.5 Compliance with Laws and Regulations**

(a) In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

(b) The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan shall comply with the deferral, payout, plan termination and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner consistent with such intentions; provided, however, that the Plan Administrator makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A. In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Plan Administrator, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A.

**18.6 Participants in Other Countries or Jurisdictions**

Without amending the Plan, the Plan Administrator may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan, as may, in the judgment of the Plan Administrator, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

**18.7 No Trust or Fund**

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

**18.8 Successors**

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

**18.9 Severability**

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Plan Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Plan Administrator's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

**18.10 Choice of Law and Venue**

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of California.

**18.11 Legal Requirements**

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**18.12 California Appendix Provisions**

To the extent required by applicable law, Participants who are residents of the State of California shall be subject to the additional terms and conditions set forth in ***Appendix B*** to the Plan until such time as the Common Stock becomes a "listed" security under the Securities Act.

**18.13 Recoupment**

Awards shall be subject to the requirements of (a) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (b) similar rules under the laws of any other jurisdiction, (c) any compensation recovery or clawback policies adopted by the Company to implement any such requirements or (d) any other compensation recovery or clawback policies as may be adopted from time to time by the Company, all to the extent determined by the Plan Administrator in its discretion to be applicable to a Participant.

## SECTION 19. EFFECTIVE DATE

The effective date of the Plan (the "***Effective Date***") is the date on which the Plan is adopted by the Board. In addition, to the extent necessary to comply with applicable law, regulation or stock exchange rule, stockholder approval of the Plan shall be obtained.

**APPENDIX A**

**DEFINITIONS**

As used in the Plan, the following terms shall be defined as provided below:

"***Acquired Entity***" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"***Acquisition Price***" means the value of the per share consideration (consisting of securities, cash or other property, or any combination thereof), receivable or deemed receivable by holders of Common Stock upon a Change in Control in respect of a share of Common Stock, as determined by the Plan Administrator in its sole discretion.

"***Award***" means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock, as may be designated by the Plan Administrator from time to time.

"***Board***" means the Board of Directors of the Company.

"***Cause***," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Plan Administrator, whose determination shall be conclusive and binding.

"***Change in Control***," unless the Plan Administrator determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means the occurrence of any of the following events:

(a) an acquisition by any Entity of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the number of then outstanding shares of Common Stock (the "***Outstanding Company Common Stock***") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege where the security being so converted was not acquired directly from the Company by the party exercising the conversion privilege, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Company, (iv) any additional acquisition by an Entity then considered to own more than 50% of the Outstanding Company Common Stock or Outstanding Company Voting Securities; or (v) any acquisition by any Entity pursuant to a transaction that meets the conditions of clauses (i), (ii) and (iii) set forth in the definition of Company Transaction;

(b) a change in the composition of the Board during any two-year period such that the individuals who, as of the beginning of such two-year period, constitute the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, any individual who becomes a member of the Board subsequent to the beginning of the two-year period, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be considered a member of the Incumbent Board; or

(c) the consummation of a Company Transaction.

Where a series of transactions undertaken with a common purpose is deemed to be a Change in Control, the date of such Change in Control shall be the date on which the last of such transactions is consummated.

"***Code***" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"***Common Stock***" means the common stock, par value $0.0001 per share, of the Company.

"***Company***" means Hydrofarm Holdings Group, Inc., a Delaware corporation.

"***Company Transaction***," unless the Plan Administrator determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a statutory share exchange pursuant to which all of the Company's outstanding shares are acquired or a sale in one transaction or a series of transactions undertaken with a common purpose of all of the Outstanding Company Voting Securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of all or substantially all of the Company's assets, excluding, however, in each case, any such transaction pursuant to which

(i) the Entities who are the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such transaction will beneficially own, directly or indirectly, at least 50% of the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, more than 50% of the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the election of directors, unless such ownership resulted solely from ownership of securities of the Company prior to such transaction; and

(iii) individuals who were members of the Incumbent Board will immediately after the consummation of such transaction constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Company Transaction, the date of such Company Transaction shall be the date on which the last of such transactions is consummated.

"***Disability***," unless otherwise defined by the Plan Administrator for purposes of the Plan or in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Plan Administrator, each of whose determination shall be conclusive and binding.

"***Effective Date***" has the meaning set forth in Section 19.

"***Eligible Person***" means any person eligible to receive an Award as set forth in Section 5.

"***Entity***" means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

"***Exchange Act***" means the U.S. Securities Exchange Act of 1934, as amended from time to time.

"***Fair Market Value***" means, as of any given date, (a) if the Common Stock is then listed or quoted on the New York Stock Exchange, the NYSE American, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market or any other national securities exchange, the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary eligible market or exchange on which the Common Stock is then listed or quoted; (b) if prices for the Common Stock are then quoted on the OTC Bulletin Board or any tier of the OTC Markets, the closing bid price per share of the Common Stock for such date (or the nearest preceding date) so quoted; or (c) if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent closing bid price per share of the Common Stock so reported. If the Common Stock is not publicly traded as set forth above, the "Fair Market Value" per share of Common Stock shall be reasonably and in good faith determined by the Board.

"***Final Close Date***" means the final closing date of the private offering of the Company's securities pursuant to that certain Confidential Private Placement Memorandum of the Company dated August 3, 2018, as may be amended and supplemented from time to time.

"***Grant Date***" means the later of (a) the date on which the Plan Administrator completes the corporate action authorizing the grant of an Award or such later date specified by the Plan Administrator and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

"***Incentive Stock Option***" means an Option granted with the intention that it qualify as an "incentive stock option" as that term is defined for purposes of Section 422 of the Code or any successor provision.

"***Incumbent Board***" has the meaning set forth in the definition of "Change in Control."

"***Nonqualified Stock Option***" means an Option other than an Incentive Stock Option.

"***Option***" means a right to purchase Common Stock granted under Section 7.

"***Option Expiration Date***" means the last day of the maximum term of an Option.

"***Option Term***" means the maximum term of an Option as set forth in Section 7.3.

"***Outstanding Company Common Stock***" has the meaning set forth in the definition of "Change in Control."

"***Outstanding Company Voting Securities***" has the meaning set forth in the definition of "Change in Control."

"***Participant***" means any Eligible Person to whom an Award is granted.

"***Performance Share***" means an Award of units denominated in shares of Common Stock granted under Section 11.1.

"***Performance Unit***" means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

"***Plan***" means the Hydrofarm Holdings Group, Inc. 2018 Equity Incentive Plan.

"***Plan Administrator***" has the meaning set forth in Section 3.1.

"***Related Company***" means any entity that, directly or indirectly, is in control of, is controlled by or is under common control with the Company.

"***Restricted Stock***" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Plan Administrator.

"***Restricted Stock Unit***" means a Stock Unit subject to restrictions prescribed by the Plan Administrator.

"***Section 409A***" means Section 409A of the Code.

"***Securities Act***" means the U.S. Securities Act of 1933, as amended from time to time.

"***Stock Appreciation Right***" or "***SAR***" means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

"***Stock Award***" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Plan Administrator.

"***Stock Unit***" means an Award denominated in units of Common Stock granted under Section 10.

"***Substitute Awards***" means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

"***Successor Company***" means the surviving company, the successor company, the acquiring company or its parent, as applicable, in connection with a Change in Control.

"***Termination of Service,***" unless the Plan Administrator determines otherwise with respect to an Award, means termination of an employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death or Disability. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors and executive officers, by the Plan Administrator, whose determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Plan Administrator determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. Unless the Plan Administrator determines otherwise, a Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company, or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

"***Vesting Commencement Date***" means the Grant Date or such other date selected by the Plan Administrator as the date from which an Award begins to vest.

**APPENDIX B**

**TO THE HYDROFARM HOLDINGS GROUP, INC.**
**2018 EQUITY INCENTIVE PLAN**

(For California Residents Only)

This Appendix to the Hydrofarm Holdings Group, Inc. 2018 Equity Incentive Plan (the "***Plan***") shall have application only to Participants who are residents of the State of California. Capitalized terms contained herein shall have the same meanings given to them in the Plan, unless otherwise provided in this Appendix. **Notwithstanding any other provision of the Plan to the contrary and to the extent required by applicable law, the following terms and conditions shall apply to all Awards granted to residents of the State of California, until such time as the Common Stock becomes a "listed security" under the Securities Act:**

1. Options shall have a term of not more than ten years from the Grant Date.

2. Awards shall be nontransferable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the Code with respect to Incentive Stock Options, the Plan Administrator, in its discretion, may permit transfer of an Award to a revocable trust or as otherwise permitted by Rule 701 of the Securities Act.

3. Unless employment or services are terminated for Cause, the right to exercise an Option in the event of Termination of Service, to the extent that the Participant is otherwise entitled to exercise an Option on the date of Termination of Service, shall be

(a) at least six months from the date of a Participant's Termination of Service if termination was caused by death or Disability; and

(b) at least 30 days from the date of a Participant's Termination of Service if termination of employment was caused by other than death or Disability;

(c) but in no event later than the Option Expiration Date.

4. No Award may be granted to a resident of California more than ten years after the earlier of the date of adoption of the Plan and the date the Plan is approved by the stockholders.

5. Stockholders of the Company must approve the Plan by the later of (a) within 12 months before or after the Plan is adopted by the Board and (b) (i) with respect to Options, prior to or within 12 months of the grant of an Option under the Plan to a resident of the State of California, and (ii) with respect to Awards other than Options, prior to the issuance of such Award to a resident of the State of California. Any Option exercised by a California resident or shares issued under an Award to a California resident shall be rescinded if stockholder approval is not obtained in the foregoing manner. Shares subject to such Awards shall not be counted in determining whether such approval is obtained.

6. To the extent required by applicable law, the Company shall provide annual financial statements of the Company to each California resident holding an outstanding Award under the Plan. Such financial statements need not be audited and need not be issued to key persons whose duties at the Company assure them access to equivalent information.

**PLAN ADOPTION AND AMENDMENTS/ADJUSTMENTS**
**SUMMARY PAGE**

| Date of Board Action | Action | Section/Effect of Amendment | Date of Stockholder Approval |
|---|---|---|---|
| _____, 2018 | Initial Plan Adoption | | _____, 2018 |

**Exhibit 10.35**

**FORM OF**

**HYDROFARM HOLDINGS GROUP, INC.**
**2018 EQUITY INCENTIVE PLAN**

**STOCK OPTION GRANT NOTICE**

Hydrofarm Holdings Group, Inc. (the "***Company***") hereby grants to you a stock option (the "***Option***") to purchase shares of the Company's Common Stock under the Company's 2018 Equity Incentive Plan (the "***Plan***"). The Option is subject to all the terms and conditions set forth in this Stock Option Grant Notice (this "***Grant Notice***") and in the Stock Option Agreement and in the Plan, which are attached to and incorporated into this Grant Notice in their entirety.

| | |
|---|---|
| **Participant:** | _____ |
| **Grant Date:** | _____ |
| **Vesting Commencement Date:** | _____ |
| **Number of Shares Subject to Option:** | _____ |
| **Exercise Price (per Share):** | _____ |
| **Option Expiration Date:** | _____ (subject to earlier termination in accordance with the terms of the Plan and the Stock Option Agreement) |
| **Type of Option:** | ☐ Incentive Stock Option* ☐ Nonqualified Stock Option |
| **Vesting and Exercisability Schedule (subject to continued employment or service):** | [1/16$^{th}$ of the shares subject to the Option will vest and become exercisable quarterly thereafter over the next four years such that the Option is fully vested and exercisable on the fourth anniversary of the Grant Date; provided, however, that the unvested portion of the Option shall become fully vested and excisable immediately prior to the occurrence of a Change in Control (as defined in the Plan as of the date hereof) and the unvested Options that by their terms vest over the twelve month period immediately following Participant's Qualifying Termination (as defined in Participant's employment agreement dated January __, 2019 (the "***Employment Agreement***")) shall become vested and exercisable upon Participant's Qualifying Termination, provided that Participant complies with the terms of the Employment Agreement.] |

**Additional Terms/Acknowledgement:** You acknowledge receipt of, and understand and agree to, this Grant Notice, the Stock Option Agreement and the Plan. You further acknowledge that as of the Grant Date, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between you and the Company regarding the Option and supersede all prior oral and written agreements on the subject.

| **HYDROFARM HOLDINGS GROUP, INC.** | **PARTICIPANT** |
|---|---|
| By: _____ | _____ |

* See Sections 3, 4 and 5 of the Stock Option Agreement.

Name: _____ Signature

Its: _____ Date: _____

Address: _____

**Attachments:**

1. Stock Option Agreement
2. 2018 Equity Incentive Plan

**HYDROFARM HOLDINGS GROUP, INC.**
**2018 EQUITY INCENTIVE PLAN**

**STOCK OPTION AGREEMENT**

Pursuant to your Stock Option Grant Notice (the "***Grant Notice***") and this Stock Option Agreement (this "***Agreement***"), Hydrofarm Holdings Group, Inc. (the "***Company***") has granted you an Option under its 2018 Equity Incentive Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice (the "***Shares***") at the exercise price indicated in your Grant Notice. Capitalized terms not defined in this Agreement but defined in the Plan have the same definitions as in the Plan.

The details of the Option are as follows:

1. **Vesting and Exercisability**. Subject to the limitations contained herein, the Option will vest and become exercisable as provided in your Grant Notice, provided that, upon your Termination of Service, vesting will cease and the unvested portion of the Option will terminate.

2. **Securities Law Compliance**. Notwithstanding any other provision of this Agreement, you may not exercise the Option unless the Shares issuable upon exercise are registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of the Option must also comply with other applicable laws and regulations governing the Option, and you may not exercise the Option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

3. **Incentive Stock Option Qualification**. If so designated in your Grant Notice, all or a portion of the Option is intended to qualify as an Incentive Stock Option under federal income tax law, but the Company does not represent or guarantee that the Option qualifies as such.

If the Option has been designated as an Incentive Stock Option and the aggregate Fair Market Value (determined as of the grant date) of the shares of Common Stock subject to the portions of the Option and all other Incentive Stock Options you hold that first become exercisable during any calendar year exceeds $100,000, any excess portion will be treated as a Nonqualified Stock Option, unless the Internal Revenue Service changes the rules and regulations governing the $100,000 limit for Incentive Stock Options. A portion of the Option may be treated as a Nonqualified Stock Option if certain events cause exercisability of the Option to accelerate.

4. **Notice of Disqualifying Disposition**. To the extent the Option has been designated as an Incentive Stock Option, to obtain certain tax benefits afforded to Incentive Stock Options, you must hold the Shares issued upon the exercise of the Option for two years after the Grant Date and one year after the date of exercise. By accepting the Option, you agree to promptly notify the Company if you dispose of any of the Shares within one year from the date you exercise all or part of the Option or within two years from the Grant Date.

5. **Alternative Minimum Tax**. You may be subject to the alternative minimum tax at the time of exercise of an Incentive Stock Option.

6. **Independent Tax Advice**. You should obtain tax advice when exercising the Option and prior to the disposition of the Shares.

7. **Method of Exercise**. You may exercise the Option by giving written notice to the Company, in form and substance satisfactory to the Company, which will state your election to exercise the Option and the number of Shares for which you are exercising the Option. The written notice must be accompanied by full payment of the exercise price for the number of Shares you are purchasing. You may make this payment in any combination of the following:

(a) by cash;

(b) by check acceptable to the Company;

(c) if permitted by the Plan Administrator for Nonqualified Stock Options, by having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have a Fair Market Value on the date of exercise of the Option equal to the exercise price of the Option;

(d) if permitted by the Plan Administrator, by using shares of Common Stock you already own;

(e) if the Common Stock is registered under the Exchange Act and to the extent permitted by law, by instructing a broker to deliver to the Company the total payment required, all in accordance with the regulations of the Federal Reserve Board; or

(f) by any other method permitted by the Plan Administrator.

**Please note that the Company is under no obligation to issue or deliver Shares under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the applicable laws of any U.S. or non-U.S. local, state or federal jurisdiction) and the applicable requirements of any securities exchange or similar entity**.

8. **Market Standoff**. You agree that any Shares received upon exercise of the Option are subject to the market standoff restrictions on transfer set forth in the Plan.

9. **Treatment Upon Termination of Employment or Service Relationship**. The unvested portion of the Option will terminate automatically and without further notice immediately upon your Termination of Service. You may exercise the vested portion of the Option as follows:

(a) **General Rule**. You must exercise the vested portion of the Option on or before the earlier of (i) six months after your Termination of Service and (ii) the Option Expiration Date;

(b) **Disability**. In the event of your Termination of Service due to Disability, you must exercise the vested portion of the Option on or before the earlier of (i) twelve months after your Termination of Service and (ii) the Option Expiration Date;

(c) **Death**. In the event of your Termination of Service due to your death, the vested portion of the Option must be exercised on or before the earlier of (i) one year after your Termination of Service and (ii) the Option Expiration Date. If you die after your Termination of Service but while the Option is still exercisable, the vested portion of the Option may be exercised until the earlier of (x) twelve months after the date of death and (y) the Option Expiration Date; and

(d) **Cause**. The vested portion of the Option will automatically expire at the time the Company first notifies you of your Termination of Service for Cause, unless the Plan Administrator determines otherwise. If your employment or service relationship is suspended pending an investigation of whether you will be terminated for Cause, all your rights under the Option likewise will be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after your Termination of Service, any Option you then hold may be immediately terminated by the Plan Administrator.

The Option must be exercised within three months after termination of employment for reasons other than death or disability and one year after termination of employment due to disability to qualify for the beneficial tax treatment afforded Incentive Stock Options. For purposes of the preceding, "disability" has the meaning attributed to that term for purposes of Section 422 of the Code.

**It is your responsibility to be aware of the date the Option terminates and is no longer exercisable.**

10. **Limited Transferability**. During your lifetime only you can exercise the Option. The Option is not transferable except by will or by the applicable laws of descent and distribution. The Plan provides for exercise of the Option by a beneficiary designated on a Company-approved form or the personal representative of your estate. Notwithstanding the foregoing and to the extent permitted by the Plan and Section 422 of the Code with respect to Incentive Stock Options, the Plan Administrator, in its sole discretion, may permit you to assign or transfer the Option, subject to such terms and conditions as specified by the Plan Administrator.

11. **Withholding Taxes**. As a condition to the exercise of any portion of the Option, you must make such arrangements as the Company may require for the satisfaction of any federal, state, local or foreign tax withholding obligations that may arise in connection with such exercise.

12. **Option Not an Employment or Service Contract**. Nothing in the Plan or this Agreement will be deemed to constitute an employment contract or confer or be deemed to confer any right for you to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate your employment or other relationship at any time, with or without cause.

13. **No Right to Damages**. You will have no right to bring a claim or to receive damages if you are required to exercise the vested portion of the Option within three months (one year in the case of Disability or death) of your Termination of Service or if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of your Termination of Service for any reason even if the termination is in violation of an obligation of the Company or a Related Company to you.

14. **Binding Effect**. This Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

15. **Electronic Delivery**. The Company may, in its sole discretion, decide to electronically sign and deliver any documents related to the Option or any notices required by this Agreement, applicable law or the Company's certificate of incorporation or bylaws by email or any other electronic means. By your signature on the Grant Notice, you consent to receive such documents and notices by such electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

16. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of Shares underlying the Option. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

17. **Recovery of Compensation.** In accordance with Section 18.13 of the Plan, the Option is subject to the requirements of (a) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (b) similar rules under the laws of any other jurisdiction, (c) any compensation recovery or clawback policies adopted by the Company to implement any such requirements or (d) any other compensation recovery or clawback policies as may be adopted from time to time by the Company, all to the extent determined by the Plan Administrator in its discretion to be applicable to you and/or required by applicable law.

18. **Section 409A Compliance**. Notwithstanding any provision in the Plan or this Agreement to the contrary, the Plan Administrator may, at any time and without your consent, modify the terms of the Option as it determines appropriate to avoid the imposition of interest or penalties under Section 409A of the Code; *provided*, *however*, that the Plan Administrator makes no representations that the Option will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the Option.

**Exhibit 10.36**

**HYDROFARM HOLDINGS GROUP, INC.**

**2019 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN**

1. DEFINITIONS.

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this HydroFarm Holdings Group, Inc. 2019 Employee, Director and Consultant Equity Incentive Plan, have the following meanings:

Administrator means the Board of Directors, unless it has delegated power to act on its behalf to the Committee, in which case the term "Administrator" means the Committee.

Affiliate means a corporation or other entity which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

Agreement means an agreement between the Company and a Participant pertaining to a Stock Right delivered pursuant to the Plan, in such form as the Administrator shall approve.

Board of Directors means the Board of Directors of the Company.

California Participant means a Participant who resides in the State of California.

Cause means, with respect to a Participant (a) dishonesty with respect to the Company or any Affiliate, (b) insubordination, substantial malfeasance or non-feasance of duty, (c) unauthorized disclosure of confidential information, (d) breach by a Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or similar agreement between the Participant and the Company or any Affiliate, and (e) conduct substantially prejudicial to the business of the Company or any Affiliate; provided, however, that any provision in an agreement between a Participant and the Company or an Affiliate, which contains a conflicting definition of Cause for termination and which is in effect at the time of such termination, shall supersede this definition with respect to that Participant. The determination of the Administrator as to the existence of Cause will be conclusive on the Participant and the Company.

Change of Control means the occurrence of any of the following events:

(i) *Ownership*. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or

(ii) *Merger/Sale of Assets*. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval; or

(iii) *Change in Board Composition*. A change in the composition of the Board of Directors, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of December 19, 2019, or (B) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

(iv) "Change of Control" shall be interpreted, if applicable, in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences under Section 409A of the Code.

Code means the United States Internal Revenue Code of 1986, as amended including any successor statute, regulation and guidance thereto.

Committee means the committee of the Board of Directors, if any, to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan.

Common Stock means shares of the Company's common stock, $0.0001 par value per share.

Company means HydroFarm Holdings Group, Inc., a Delaware corporation.

Consultant means any natural person who is an advisor or consultant who provides bona fide services to the Company or its Affiliates, provided that such services are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the Company's or its Affiliates' securities.

Disability or Disabled means permanent and total disability as defined in Section 22(e)(3) of the Code.

Employee means any employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

Exchange Act means the United States Securities Exchange Act of 1934, as amended.

Fair Market Value of a Share of Common Stock means:

(1) If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or, if not applicable, the last price of the Common Stock on the composite tape or other comparable reporting system for the trading day on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date;

(2) If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the most recent trading day on which Common Stock was traded on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date; and

(3) If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine in compliance with applicable laws.

Non-Qualified Option means an option which is not intended to qualify as an incentive stock option under Section 422 of the Code.

Option means a Non-Qualified Option granted under the Plan.

Participant means an Employee, director or Consultant of the Company or an Affiliate to whom one or more Stock Rights are granted under the Plan. As used herein, "Participant" shall include "Participant's Survivors" where the context requires.

Plan means this HydroFarm Holdings Group, Inc. 2019 Employee, Director and Consultant Equity Incentive Plan.

Securities Act means the Securities Act of 1933, as amended.

Shares means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Paragraph 3 of the Plan. The Shares issued under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.

Stock-Based Award means a grant by the Company under the Plan of an equity award or an equity based award which is not an Option or a Stock Grant.

Stock Grant means a grant by the Company of Shares under the Plan.

Stock Right means a right to Shares or the value of Shares of the Company granted pursuant to the Plan: a Non-Qualified Option, a Stock Grant or a Stock-Based Award.

Survivor means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

2. PURPOSES OF THE PLAN.

The Plan is intended to encourage ownership of Shares by Employees and directors of and certain Consultants to the Company and its Affiliates in order to attract and retain such people, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of Non-Qualified Options, Stock Grants and Stock-Based Awards.

3. SHARES SUBJECT TO THE PLAN.

(a) The number of Shares which may be issued from time to time pursuant to this Plan shall be 3,487,278 shares of Common Stock, or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 24 of the Plan.

(b) If an Option ceases to be "outstanding", in whole or in part (other than by exercise), or if the Company shall reacquire at not more than its original issuance price any Shares issued pursuant to a Stock Grant or Stock-Based Award, or if any Stock Right expires or is forfeited, cancelled, or otherwise terminated or results in any Shares not being issued, the unissued or reacquired Shares which were subject to such Stock Right shall again be available for issuance from time to time pursuant to this Plan. Notwithstanding the foregoing, if a Stock Right is exercised, in whole or in part, by tender of Shares or if the Company or an Affiliate's tax withholding obligation is satisfied by withholding Shares, the number of Shares deemed to have been issued under the Plan for purposes of the limitation set forth in Paragraph 3(a) above shall be the number of Shares that were subject to the Stock Right or portion thereof, and not the net number of Shares actually issued.

4. ADMINISTRATION OF THE PLAN.

The Administrator of the Plan will be the Board of Directors, except to the extent the Board of Directors delegates its authority to the Committee, in which case the Committee shall be the Administrator. Subject to the provisions of the Plan, the Administrator is authorized to:

(a) Interpret the provisions of the Plan and all Stock Rights and to make all rules and determinations which it deems necessary or advisable for the administration of the Plan;

(b) Determine which Employees, directors and Consultants shall be granted Stock Rights;

(c) Determine the number of Shares for which a Stock Right or Stock Rights shall be granted;

(d) Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

(e) Amend any term or condition of any outstanding Stock Right, including, without limitation, to reduce or increase the exercise price or purchase price, accelerate the vesting schedule or extend the expiration date, provided that (i) such term or condition as amended is permitted by the Plan; (ii) any such amendment shall not impair the rights of a Participant under any Stock Right previously granted without such Participant's consent or in the event of death of the Participant the Participant's Survivors; and (iii) any such amendment shall be made only after the Administrator determines whether such amendment would cause any adverse tax consequences to the Participant;

(f) Buy out for a payment in cash or Shares, a Stock Right previously granted and/or cancel any such Stock Right and grant in substitution therefor other Stock Rights, covering the same or a different number of Shares and having an exercise price or purchase price per share which may be lower or higher than the exercise price or purchase price of the cancelled Stock Right, based on such terms and conditions as the Administrator shall establish and the Participant shall accept; and

(g) Adopt any sub-plans applicable to residents of any specified jurisdiction as it deems necessary or appropriate in order to comply with or take advantage of any tax or other laws applicable to the Company, any Affiliate or to Participants or to otherwise facilitate the administration of the Plan, which sub-plans may include additional restrictions or conditions applicable to Stock Rights or Shares issuable pursuant to a Stock Right;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of potential tax consequences under Section 409A of the Code. Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is the Committee. In addition, if the Administrator is the Committee, the Board of Directors may take any action under the Plan that would otherwise be the responsibility of the Committee.

To the extent permitted under applicable law, the Board of Directors or the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any other person selected by it. The Board of Directors or the Committee may revoke any such allocation or delegation at any time.

5. ELIGIBILITY FOR PARTICIPATION.

The Administrator will, in its sole discretion, name the Participants in the Plan; provided, however, that each Participant must be an Employee, director or Consultant of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding the foregoing, the Administrator may authorize the grant of a Stock Right to a person not then an Employee, director or Consultant of the Company or of an Affiliate; provided, however, that the actual grant of such Stock Right shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of the execution of the Agreement evidencing such Stock Right. The granting of any Stock Right to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in any other grant of Stock Rights or any grant under any other benefit plan established by the Company or any Affiliate for Employees, directors or Consultants.

6. TERMS AND CONDITIONS OF OPTIONS.

Each Option shall be set forth in writing in an Option Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such terms and conditions, consistent with the terms and conditions specifically required under this Plan, as the Administrator may deem appropriate. Each Option shall be a Non-Qualified Option and shall be subject to the terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards for any such Non-Qualified Option:

(a) *Exercise Price*: Each Option Agreement shall state the exercise price (per share) of the Shares covered by each Option, which exercise price shall be determined by the Administrator and shall be at least equal to the Fair Market Value per share of the Common Stock on the date of grant of the Option.

(b) *Number of Shares*: Each Option Agreement shall state the number of Shares to which it pertains.

(c) *Vesting Periods*: Each Option Agreement shall state the date or dates on which it first is exercisable and the date after which it may no longer be exercised, and may provide that the Option rights accrue or become exercisable in installments over a period of months or years, or upon the occurrence of certain performance conditions or the attainment of stated goals or events. For California Participants, the exercise period of the Option set forth in the Option Agreement shall not be more than 120 months from the date of grant.

(d) *Additional Conditions*: Exercise of any Option may be conditioned upon the Participant's execution of a stockholders agreement in a form satisfactory to the Administrator providing for certain protections for the Company and its other shareholders, including requirements that:

(i) The Participant's or the Participant's Survivors' right to sell or transfer the Shares may be restricted; and

(ii) The Participant or the Participant's Survivors may be required to execute letters of investment intent and must also acknowledge that the Shares will bear legends noting any applicable restrictions.

(e) *Term of Option*: Each Option shall terminate not more than ten years from the date of the grant or at such earlier time as the Option Agreement may provide.

7. TERMS AND CONDITIONS OF STOCK GRANTS.

Each Stock Grant to a Participant shall state the principal terms in an Agreement duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. For California Participants, each Stock Grant shall be issued within ten (10) years from the date the Plan is adopted. The Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards:

(a) Each Agreement shall state the purchase price per share, if any, of the Shares covered by each Stock Grant, which purchase price shall be determined by the Administrator but shall not be less than the minimum consideration required by the Delaware General Corporation Law, if any, on the date of the grant of the Stock Grant;

(b) Each Agreement shall state the number of Shares to which the Stock Grant pertains; and

(c) Each Agreement shall include the terms of any right of the Company to restrict or reacquire the Shares subject to the Stock Grant, including the time and events upon which such rights shall accrue and the purchase price therefor, if any.

8. TERMS AND CONDITIONS OF OTHER STOCK-BASED AWARDS.

The Administrator shall have the right to grant other Stock-Based Awards based upon the Common Stock having such terms and conditions as the Administrator may determine, including, without limitation, the grant of Shares based upon certain conditions, the grant of securities convertible into Shares and the grant of stock appreciation rights, phantom stock awards or stock units. The principal terms of each Stock-Based Award shall be set forth in an Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company. Each Agreement shall include the terms of any right of the Company including the right to terminate the Stock-Based Award without the issuance of Shares, the terms of any vesting conditions or events upon which Shares shall be issued. Under no circumstances may the Agreement covering stock appreciation rights (a) have a base price (per share) that is less than the Fair Market Value per share of Common Stock on the date of grant or (b) expire more than ten years following the date of grant.

The Company intends that the Plan and any Stock-Based Awards granted hereunder be exempt from the application of Section 409A of the Code or meet the requirements of paragraphs (2), (3) and (4) of subsection (a) of Section 409A of the Code, to the extent applicable, and be operated in accordance with Section 409A so that any compensation deferred under any Stock-Based Award (and applicable investment earnings) shall not be included in income under Section 409A of the Code. Any ambiguities in the Plan shall be construed to effect the intent as described in this Paragraph 8.

9. EXERCISE OF OPTIONS AND ISSUE OF SHARES.

An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company or its designee (in a form acceptable to the Administrator, which may include electronic notice), together with provision for payment of the aggregate exercise price in accordance with this Paragraph for the Shares as to which the Option is being exercised, and upon compliance with any other condition(s) set forth in the Option Agreement. Such notice shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Administrator), shall state the number of Shares with respect to which the Option is being exercised and shall contain any representation required by the Plan or the Option Agreement. Payment of the exercise price for the Shares as to which such Option is being exercised shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) having a Fair Market Value equal as of the date of the exercise to the aggregate cash exercise price for the number of Shares as to which the Option is being exercised, or (c) at the discretion of the Administrator, by having the Company retain from the Shares otherwise issuable upon exercise of the Option, a number of Shares having a Fair Market Value equal as of the date of exercise to the aggregate exercise price for the number of Shares as to which the Option is being exercised, or (d) at the discretion of the Administrator (after consideration of applicable securities, tax and accounting implications), by delivery of the grantee's personal recourse note bearing interest payable not less than annually at no less than one hundred (100%) of the applicable Federal rate, as defined in Section 1274(d) of the Code, or (e) at the discretion of the Administrator, in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Administrator, or (f) at the discretion of the Administrator, by any combination of (a), (b), (c), (d) and (e) above or (g) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine.

The Company shall then reasonably promptly deliver the Shares as to which such Option was exercised to the Participant (or to the Participant's Survivors, as the case may be). In determining what constitutes "reasonably promptly," it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or "blue sky" laws) which requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be fully paid, non-assessable Shares.

10. PAYMENT IN CONNECTION WITH THE ISSUANCE OF STOCK GRANTS AND STOCK-BASED AWARDS AND ISSUE OF SHARES.

Any Stock Grant or Stock-Based Award requiring payment of a purchase price for the Shares as to which such Stock Grant or Stock-Based Award is being granted shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) and having a Fair Market Value equal as of the date of payment to the purchase price of the Stock Grant or Stock-Based Award, or (c) at the discretion of the Administrator (after consideration of applicable securities, tax and accounting implications), by delivery of the grantee's personal recourse note bearing interest payable not less than annually at no less than one hundred percent (100%) of the applicable Federal rate, as defined in Section 1274(d) of the Code, or (d) at the discretion of the Administrator, by any combination of (a), (b) and (c) above; or (e) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine.

The Company shall when required by the applicable Agreement, reasonably promptly deliver the Shares as to which such Stock Grant or Stock-Based Award was made to the Participant (or to the Participant's Survivors, as the case may be), subject to any escrow provision set forth in the applicable Agreement. In determining what constitutes "reasonably promptly," it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or "blue sky" laws) which requires the Company to take any action with respect to the Shares prior to their issuance.

11. RIGHTS AS A SHAREHOLDER.

No Participant to whom a Stock Right has been granted shall have rights as a shareholder with respect to any Shares covered by such Stock Right except after due exercise of an Option or issuance of Shares as set forth in any Agreement, tender of the aggregate exercise or purchase price, if any, for the Shares being purchased and registration of the Shares in the Company's share register in the name of the Participant.

12. ASSIGNABILITY AND TRANSFERABILITY OF STOCK RIGHTS.

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than (i) by will or by the laws of descent and distribution, or (ii) as approved by the Administrator in its discretion and set forth in the applicable Agreement, provided that no Stock Right may be transferred by a Participant for value. For California Participants, Stock Rights shall not be transferable by the Participant other than by will or by the laws of descent and distribution, to a revocable trust, or as permitted by Rule 701 of the Securities Act. The designation of a beneficiary of a Stock Right by a Participant, with the prior approval of the Administrator and in such form as the Administrator shall prescribe, shall not be deemed a transfer prohibited by this Paragraph. Except as provided above during the Participant's lifetime a Stock Right shall only be exercisable by or issued to such Participant (or his or her legal representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

13. EFFECT ON OPTIONS OF TERMINATION OF SERVICE OTHER THAN FOR CAUSE OR DEATH OR DISABILITY.

Except as otherwise provided in a Participant's Option Agreement, in the event of a termination of service (whether as an Employee, director or Consultant) with the Company or an Affiliate before the Participant has exercised an Option, the following rules apply:

(a) A Participant who ceases to be an Employee, director or Consultant of the Company or of an Affiliate (for any reason other than termination for Cause, Disability, or death for which events there are special rules in Paragraphs 14, 15, and 16, respectively), may exercise any Option granted to him or her to the extent that the Option is exercisable on the date of such termination of service, but only within such term as the Administrator has designated in a Participant's Option Agreement. For Options granted to California Participants, notwithstanding the terms of any Option Agreement, such Option shall be exercisable for at least thirty (30) days from the date of a Participant's termination of employment other than for Cause, but in no event later than the originally prescribed term of the Option.

(b) The provisions of this Paragraph, and not the provisions of Paragraph 15 or 16, shall apply to a Participant who subsequently becomes Disabled or dies after the termination of employment, director status or consultancy; provided, however, in the case of a Participant's Disability or death within three months after the termination of employment, director status or consultancy, the Participant or the Participant's Survivors may exercise the Option within one year after the date of the Participant's termination of service, but in no event after the date of expiration of the term of the Option.

(c) Notwithstanding anything herein to the contrary, if subsequent to a Participant's termination of employment, termination of director status or termination of consultancy, but prior to the exercise of an Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then such Participant shall forthwith cease to have any right to exercise any Option.

(d) A Participant to whom an Option has been granted under the Plan who is absent from the Company or an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

(e) Except as required by law or as set forth in a Participant's Option Agreement, Options granted under the Plan shall not be affected by any change of a Participant's status within or among the Company and any Affiliates, so long as the Participant continues to be an Employee, director or Consultant of the Company or any Affiliate.

14. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR CAUSE.

Except as otherwise provided in a Participant's Option Agreement, the following rules apply if the Participant's service (whether as an Employee, director or Consultant) with the Company or an Affiliate is terminated for Cause prior to the time that all of his or her outstanding Options have been exercised:

(a) All outstanding and unexercised Options as of the time the Participant is notified his or her service is terminated for Cause will immediately be forfeited.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service but prior to the exercise of an Option, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then the right to exercise any Option is forfeited.

15. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR DISABILITY.

Except as otherwise provided in a Participant's Option Agreement,

(a) A Participant who ceases to be an Employee, director or Consultant of the Company or of an Affiliate by reason of Disability may exercise any Option granted to such Participant:

(i) To the extent that the Option has become exercisable but has not been exercised on the date of the Participant's termination of service due to Disability; and

(ii) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

(b) A Disabled Participant may exercise the Option only within the period ending one year after the date of the Participant's termination of service due to Disability, notwithstanding that the Participant might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant had not been terminated due to Disability and had continued to be an Employee, director or Consultant or, if earlier, within the originally prescribed term of the Option. Notwithstanding the terms of any Option Agreement, for Options granted to California Participants, a Participant may exercise such rights for at least six (6) months from the date of termination of service due to Disability but in no event later than the originally prescribed term of the Option.

(c) The Administrator shall make the determination both of whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

16. EFFECT ON OPTIONS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.

Except as otherwise provided in a Participant's Option Agreement,

(a) In the event of the death of a Participant while the Participant is an Employee, director or Consultant of the Company or of an Affiliate, such Option may be exercised by the Participant's Survivors:

(i) To the extent that the Option has become exercisable but has not been exercised on the date of death; and

(ii) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

(b) If the Participant's Survivors wish to exercise the Option, they must take all necessary steps to exercise the Option within one year after the date of death of such Participant, notwithstanding that the decedent might have been able to exercise the Option as to some or all of the Shares on a later date if he or she had not died and had continued to be an Employee, director or Consultant or, if earlier, within the originally prescribed term of the Option. For Options granted to California Participants, notwithstanding the terms of any Option Agreement, the Participant's Survivors shall be allowed to take all necessary steps to exercise the Option for at least six (6) months from the date of death of such Participant but in no event later than the originally prescribed term of the Option.

17. EFFECT OF TERMINATION OF SERVICE ON UNACCEPTED STOCK GRANTS AND STOCK-BASED AWARDS.

In the event of a termination of service (whether as an Employee, director or Consultant) with the Company or an Affiliate for any reason before the Participant has accepted a Stock Grant or a Stock-Based Award and paid the purchase price, if required at the time, such grant shall terminate.

For purposes of this Paragraph 17 and Paragraph 18 below, a Participant to whom a Stock Grant or a Stock-Based Award has been issued under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

In addition, for purposes of this Paragraph 17 and Paragraph 18 below, any change of employment or other service within or among the Company and any Affiliates shall not be treated as a termination of employment, director status or consultancy so long as the Participant continues to be an Employee, director or Consultant of the Company or any Affiliate.

18. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF TERMINATION OF SERVICE OTHER THAN FOR CAUSE, DEATH OR DISABILITY.

Except as otherwise provided in a Participant's Agreement, in the event of a termination of service (whether as an Employee, director or Consultant), other than termination for Cause, death or Disability for which events there are special rules in Paragraphs 19, 20, and 21, respectively, before all forfeiture provisions or Company rights of repurchase shall have lapsed, then the Company shall have the right to cancel or repurchase that number of Shares subject to a Stock Grant or Stock-Based Award as to which the Company's forfeiture or repurchase rights have not lapsed.

19. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF TERMINATION OF SERVICE FOR CAUSE.

Except as otherwise provided in a Participant's Agreement, the following rules apply if the Participant's service (whether as an Employee, director or Consultant) with the Company or an Affiliate is terminated for Cause:

(a) All Shares subject to any Stock Grant or Stock-Based Award that remain subject to forfeiture provisions or as to which the Company shall have a repurchase right shall be immediately forfeited to the Company as of the time the Participant is notified his or her service is terminated for Cause.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then all Shares subject to any Stock Grant or Stock-Based Award that remained subject to forfeiture provisions or as to which the Company had a repurchase right on the date of termination shall be immediately forfeited to the Company.

20. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF TERMINATION OF SERVICE FOR DISABILITY.

Except as otherwise provided in a Participant's Agreement, the following rules apply if a Participant ceases to be an Employee, director or Consultant of the Company or of an Affiliate by reason of Disability: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of Disability, they shall be exercisable; provided, however, that in the event such forfeiture provisions or rights of repurchase lapse periodically, such provisions or rights shall lapse to the extent of a pro rata portion of the Shares subject to such Stock Grant or Stock-Based Award through the date of Disability as would have lapsed had the Participant not become Disabled. The proration shall be based upon the number of days accrued prior to the date of Disability.

The Administrator shall make the determination both as to whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

21. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.

Except as otherwise provided in a Participant's Agreement, the following rules apply in the event of the death of a Participant while the Participant is an Employee, director or Consultant of the Company or of an Affiliate: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of death, they shall be exercisable; provided, however, that in the event such forfeiture provisions or rights of repurchase lapse periodically, such provisions or rights shall lapse to the extent of a pro rata portion of the Shares subject to such Stock Grant or Stock-Based Award through the date of death as would have lapsed had the Participant not died. The proration shall be based upon the number of days accrued prior to the Participant's date of death.

22. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue Shares under the Plan unless and until the following conditions have been fulfilled:

(a) The person who receives a Stock Right shall warrant to the Company, prior to the receipt of Shares, that such person is acquiring such Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person acquiring such Shares shall be bound by the provisions of the following legend (or a legend in substantially similar form) which shall be endorsed upon the certificate evidencing the Shares issued pursuant to such exercise or such grant:

> "The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

(b) At the discretion of the Administrator, the Company shall have received an opinion of its counsel that the Shares may be issued in compliance with the Securities Act without registration thereunder.

23. DISSOLUTION OR LIQUIDATION OF THE COMPANY.

Upon the dissolution or liquidation of the Company, all Options granted under this Plan which as of such date shall not have been exercised and all Stock Grants and Stock-Based Awards which have not been accepted, to the extent required under the applicable Agreement, will terminate and become null and void; provided, however, that if the rights of a Participant or a Participant's Survivors have not otherwise terminated and expired, the Participant or the Participant's Survivors will have the right immediately prior to such dissolution or liquidation to exercise or accept any Stock Right to the extent that the Stock Right is exercisable or subject to acceptance as of the date immediately prior to such dissolution or liquidation. Upon the dissolution or liquidation of the Company, any outstanding Stock-Based Awards shall immediately terminate unless otherwise determined by the Administrator or specifically provided in the applicable Agreement.

24. ADJUSTMENTS.

Upon the occurrence of any of the following events, a Participant's rights with respect to any Stock Right granted to him or her hereunder shall be adjusted as hereinafter provided, unless otherwise specifically provided in a Participant's Agreement:

(a) Stock Dividends and Stock Splits. If (i) the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Common Stock, each Stock Right and the number of shares of Common Stock deliverable thereunder shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made including, to the exercise, base or purchase price per share, to reflect such events. The number of Shares subject to the limitations in Paragraphs 3 and 4 shall also be proportionately adjusted upon the occurrence of such events.

(b) Corporate Transactions. In the event of a Change of Control, or if the Company is to be consolidated with or acquired by another entity in a merger, consolidation, sale of all or substantially all of the Company's assets or the acquisition of all of the outstanding voting stock of the Company in a single transaction or a series of related transactions by a single entity other than a transaction to merely change the state of incorporation (a "Corporate Transaction"), the Administrator or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Board"), may, as to outstanding Options, either (i) make appropriate provision for the continuation of such Options by substituting on an equitable basis for the Shares then subject to such Options either the consideration payable with respect to the outstanding shares of Common Stock in connection with the Corporate Transaction or securities of any successor or acquiring entity; or (ii) upon written notice to the Participants, provide that such Options must be exercised (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, any such Options being made partially or fully exercisable for purposes of this Subparagraph), within a specified number of days of the date of such notice, at the end of which period such Options which have not been exercised shall terminate; or (iii) terminate such Options in exchange for payment of an amount equal to the consideration payable upon consummation of such Change in Control or Corporate Transaction to a holder of the number of shares of Common Stock into which such Option would have been exercisable (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, any such Options being made partially or fully exercisable for purposes of this Subparagraph) less the aggregate exercise price thereof. For purposes of determining the payments to be made pursuant to Subclause (iii) above, in the case of a Change in Control or Corporate Transaction the consideration for which, in whole or in part, is other than cash, the consideration other than cash shall be valued at the fair value thereof as determined in good faith by the Board of Directors.

With respect to outstanding Stock Grants, the Administrator or the Successor Board, shall make appropriate provision for the continuation of such Stock Grants on the same terms and conditions by substituting on an equitable basis for the Shares then subject to such Stock Grants either the consideration payable with respect to the outstanding Shares of Common Stock in connection with the Corporate Transaction or securities of any successor or acquiring entity. In lieu of the foregoing, in connection with any Corporate Transaction, the Administrator may provide that, upon consummation of the Corporate Transaction, each outstanding Stock Grant shall be terminated in exchange for payment of an amount equal to the consideration payable upon consummation of such Corporate Transaction to a holder of the number of shares of Common Stock comprising such Stock Grant (to the extent such Stock Grant is no longer subject to any forfeiture or repurchase rights then in effect or, at the discretion of the Administrator, all forfeiture and repurchase rights being waived upon such Corporate Transaction). For purposes of determining such payments, in the case of a Corporate Transaction the consideration for which, in whole or in part, is other than cash, the consideration other than cash shall be valued at the fair value thereof as determined in good faith by the Board of Directors.

In taking any of the actions permitted under this Paragraph 24(b), the Administrator shall not be obligated by the Plan to treat all Stock Rights, all Stock Rights held by a Participant, or all Stock Rights of the same type, identically.

(c) Recapitalization or Reorganization. In the event of a recapitalization or reorganization of the Company other than a Corporate Transaction pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, a Participant upon exercising an Option or accepting a Stock Grant after the recapitalization or reorganization shall be entitled to receive for the price paid upon such exercise or acceptance if any, the number of replacement securities which would have been received if such Option had been exercised or Stock Grant accepted prior to such recapitalization or reorganization.

(d) Adjustments to Stock-Based Awards. Upon the happening of any of the events described in Subparagraphs (a), (b) or (c) above, any outstanding Stock-Based Award shall be appropriately adjusted to reflect the events described in such Subparagraphs. The Administrator or the Successor Board shall determine the specific adjustments to be made under this Paragraph 24, including, but not limited to the effect of any Corporate Transaction **a**nd Change of Control and, subject to Paragraph 4, its determination shall be conclusive.

(e) Modification of Options. Notwithstanding the foregoing, any adjustments made pursuant to Subparagraph (a), (b) or (c) above with respect to Options shall be made only after the Administrator determines whether such adjustments would cause any adverse tax consequences for the holders of such Options, including, but not limited to, pursuant to Section 409A of the Code. If the Administrator determines that such adjustments made with respect to Options would cause an adverse tax consequence, it may in its discretion refrain from making such adjustments, unless the holder of an Option specifically agrees in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such adjustment on his or her income tax treatment with respect to the Option.

25. ISSUANCES OF SECURITIES.

Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Stock Rights. Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company prior to any issuance of Shares pursuant to a Stock Right.

26. FRACTIONAL SHARES.

No fractional shares shall be issued under the Plan and the person exercising a Stock Right shall receive from the Company cash in lieu of such fractional shares equal to the Fair Market Value thereof.

27. WITHHOLDING.

In the event that any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Participant's salary, wages or other remuneration in connection with the issuance of a Stock Right or Shares under the Plan or for any other reason required by law, the Company may withhold from the Participant's compensation, if any, or may require that the Participant advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the statutory minimum amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock or a promissory note, is authorized by the Administrator (and permitted by law). For purposes hereof, the fair market value of the shares withheld for purposes of payroll withholding shall be determined in the manner set forth under the definition of Fair Market Value provided in Paragraph 1 above, as of the most recent practicable date prior to the date of exercise. If the Fair Market Value of the shares withheld is less than the amount of payroll withholdings required, the Participant may be required to advance the difference in cash to the Company or the Affiliate employer.

28. TERMINATION OF THE PLAN.

The Plan will terminate on December 19, 2029, the date which is ten years from the date of its adoption by the Board of Directors. The Plan may be terminated at an earlier date by vote of the Board of Directors of the Company; provided, however, that any such earlier termination shall not affect any Agreements executed prior to the effective date of such termination. Termination of the Plan shall not affect any Stock Rights theretofore granted.

29. AMENDMENT OF THE PLAN AND AGREEMENTS.

The Plan may be amended by the Board of Directors of the Company. The Plan may also be amended by the Administrator, including, without limitation, to the extent necessary to qualify the Shares issuable under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator which the Administrator determines is of a scope that requires shareholder approval shall be subject to obtaining such shareholder approval. Any modification or amendment of the Plan shall not, without the consent of a Participant, adversely affect his or her rights under a Stock Right previously granted to him or her, unless such amendment is required by applicable law or necessary to preserve the economic value of such Stock Right. With the consent of the Participant affected, the Administrator may amend outstanding Agreements in a manner which may be adverse to the Participant but which is not inconsistent with the Plan. In the discretion of the Administrator, outstanding Agreements may be amended by the Administrator in a manner which is not adverse to the Participant. Nothing in this Paragraph 29 shall limit the Administrator's authority to take any action permitted pursuant to Paragraph 24.

30. EMPLOYMENT OR OTHER RELATIONSHIP.

Nothing in this Plan or any Agreement shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy or director status of a Participant, nor to prevent a Participant from terminating his or her own employment, consultancy or director status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

31. GOVERNING LAW.

This Plan shall be construed and enforced in accordance with the law of the State of Delaware.

**Exhibit 10.37**

Option No._____

**HYDROFARM HOLDINGS GROUP, INC.**

**Stock Option Grant Notice**
Stock Option Grant under the Company's
2019 Employee, Director and Consultant Equity Incentive Plan

1. Name and Address of Participant: _____

2. Date of Option Grant: _____

3. Type of Grant: Non-Qualified Option

4. Maximum Number of Shares for which this Option is exercisable: _____

5. Exercise (purchase) price per share: _____

6. Option Expiration Date: _____

7. Vesting Start Date: _____

8. Vesting Schedule: This Option shall become exercisable (and the Shares issued upon exercise shall be vested) as follows provided the Participant is an Employee, director or Consultant of the Company or of an Affiliate on the applicable vesting date:

**[Insert Vesting Schedule]**

The foregoing rights are cumulative and are subject to the other terms and conditions of this Agreement and the Plan.

The Company and the Participant acknowledge receipt of this Stock Option Grant Notice and agree to the terms of the Stock Option Agreement attached hereto and incorporated by reference herein, the Company's 2019 Employee, Director and Consultant Equity Incentive Plan and the terms of this Option Grant as set forth above.

**HYDROFARM HOLDINGS GROUP, INC.**

By: _____
Name: _____
Title: _____

_____
Participant

**HYDROFARM HOLDINGS GROUP, INC.**

**STOCK OPTION AGREEMENT- INCORPORATED TERMS AND CONDITIONS**

AGREEMENT made as of the date of grant set forth in the Stock Option Grant Notice by and between (the "Company"), a Delaware corporation, and the individual whose name appears on the Stock Option Grant Notice (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, $.0001 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2019 Employee, Director and Consultant Equity Incentive Plan (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be a Non-Qualified Stock Option.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of the number of Shares set forth in the Stock Option Grant Notice, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. EXERCISE PRICE.

The exercise price of the Shares covered by the Option shall be the amount per Share set forth in the Stock Option Grant Notice, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Exercise Price"). Payment shall be made in accordance with Paragraph 9 of the Plan.

3. EXERCISABILITY OF OPTION.

Subject to the terms and conditions set forth in this Agreement and the Plan, the Option granted hereby shall become vested and exercisable as set forth in the Stock Option Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan.

4. TERM OF OPTION.

This Option shall terminate on the Option Expiration Date as specified in the Stock Option Grant Notice but shall be subject to earlier termination as provided herein or in the Plan.

If the Participant ceases to be an Employee, director or Consultant of the Company or of an Affiliate for any reason other than the death or Disability of the Participant, or termination of the Participant for Cause (the "Termination Date"), the Option to the extent then vested and exercisable pursuant to Section 3 hereof as of the Termination Date, and not previously terminated in accordance with this Agreement, may be exercised within three months after the Termination Date, or on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice, whichever is earlier, but may not be exercised thereafter except as set forth below. In such event, the unvested portion of the Option shall not be exercisable and shall expire and be cancelled on the Termination Date.

Notwithstanding the foregoing, in the event of the Participant's death within three (3) months after the Termination Date, the Participant's Survivors may exercise the Option within one (1) year after the Termination Date, but in no event after the Option Expiration Date as specified in the Stock Option Grant Notice, and this Option shall thereupon terminate.

In the event the Participant's service is terminated by the Company or an Affiliate for Cause, the Participant's right to exercise any unexercised portion of this Option even if vested shall cease immediately as of the time the Participant is notified his or her service is terminated for Cause, and this Option shall thereupon terminate. Notwithstanding anything herein to the contrary, if subsequent to the Participant's termination, but prior to the exercise of the Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then the Participant shall immediately cease to have any right to exercise the Option and this Option shall thereupon terminate.

In the event of the Disability of the Participant while an Employee, director or Consultant of the Company or of an Affiliate, as determined in accordance with the Plan, the Option shall be exercisable within one (1) year after the Participant's termination of service due to Disability or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(a) to the extent that the Option has become exercisable but has not been exercised as of the date of the Participant's termination of service due to Disability; and

(b) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

In the event of the death of the Participant while an Employee, director or Consultant of the Company or of an Affiliate, the Option shall be exercisable by the Participant's Survivors within one year after the date of death of the Participant or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

(x) to the extent that the Option has become exercisable but has not been exercised as of the date of death; and

(y) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto (or in such other form acceptable to the Company, which may include electronic notice). Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Company). Payment of the Exercise Price for such Shares shall be made in accordance with Paragraph 9 of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution, or as otherwise provided in the Plan and approved by the Administrator. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges and agrees that (i) any income or other taxes due from the Participant with respect to this Option or the Shares issuable upon exercise of this Option shall be the Participant's responsibility; (ii) the Participant was free to use professional advisors of his or her choice in connection with this Agreement, has received advice from his or her professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; (iii) the Participant has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Affiliate or any Employee of or counsel to the Company or any Affiliate regarding any tax or other effects or implications of the Option, the Shares or other matters contemplated by this Agreement and (iv) neither the Administrator, the Company, its Affiliates, nor any of its officers or directors, shall be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the Internal Revenue Service were to determine that the Option constitutes deferred compensation under Section 409A of the Code.

This Option is designated in the Stock Option Grant Notice as a Non-Qualified Option and when such Non-Qualified Option is exercised, the Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless the Company has determined that such exercise and issuance would be exempt from the registration requirements of the 1933 Act and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares issued pursuant to such exercise:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and

(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Shares acquired by the Participant pursuant to the exercise of the Option granted hereby shall not be transferred by the Participant except as permitted **[herein] [in the Stockholders Agreement dated _____ between the Company and its stockholders (the "Stockholders Agreement")] [if the Participant becomes a party thereto, as set forth in the in the Stockholders Agreement dated _____ between the Company and its stockholders (the "Stockholders Agreement")]. If the Participant becomes a party to the Stockholders' Agreement by executing a signature page thereto and the terms of this Agreement and the Stockholders' Agreement conflict, the terms contained in the Stockholders' Agreement shall govern and supersede any conflicting provision contained in this Section 12].**[1]

12.2 In the event of the Participant's termination of service for any reason, the Company shall have the option, but not the obligation, to repurchase all or any part of the Shares issued pursuant to this Agreement (including, without limitation, Shares purchased after termination of service, Disability or death in accordance with Section 4 hereof). In the event the Company does not, upon the termination of service of the Participant (as described above), exercise its option pursuant to this Section 12.2, the restrictions set forth in the balance of this Agreement shall not thereby lapse, and the Participant for himself or herself, his or her heirs, legatees, executors, administrators and other successors in interest, agrees that the Shares shall remain subject to such restrictions. The following provisions shall apply to a repurchase under this Section 12.2:

(i) The per share repurchase price of the Shares to be sold to the Company upon exercise of its option under this Section 12.2 shall be equal to the Fair Market Value of each such Share determined in accordance with the Plan as of the date of repurchase provided, however, in the event of a termination by the Company for Cause, the per share repurchase price of the Shares to be sold to the Company upon exercise of its option under this Section 12.2 shall be equal to **[the lesser of the Exercise Price and the Fair Market Value on the date of the repurchase] OR [par value]]**.[2]

(ii) The Company's option to repurchase the Participant's Shares in the event of termination of service shall be valid for a period of [**twelve**]([**12]**) months commencing with the date of such termination of service.[3]

(iii) In the event the Company shall be entitled to and shall elect to exercise its option to repurchase the Participant's Shares under this Section 12.2, the Company shall notify the Participant, or in case of death, his or her Survivor, in writing of its intent to repurchase the Shares. Such written notice may be mailed or sent by email by the Company up to and including the last day of the time period provided for in Section 12.2(ii) above for exercise of the Company's option to repurchase.

(iv) The notice to the Participant shall specify the address at, and the time and date on, which payment of the repurchase price is to be made (the "Closing"). The date specified shall not be less than ten (10) days nor more than sixty (60) days from the date of the mailing of the notice, and the Participant or his or her successor in interest with respect to the Shares shall have no further rights as the owner thereof from and after the date specified in the notice. At the Closing, the repurchase price shall be delivered to the Participant or his or her successor in interest and the Shares being purchased, duly endorsed for transfer, shall, to the extent that they are not then in the possession of the Company, be delivered to the Company by the Participant or his or her successor in interest.

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[1] The first bracket should be used if the Participant is not a party to and not expected to become a party to a stockholders' agreement containing transfer restrictions and/or buyback provisions. The second bracket should be used if the Participant is or will become a party to a stockholders' agreement. In such case other portions of this section 12 should be deleted so that there is no conflict between the stockholders' agreement and the terms of this agreement. The third bracket and additional language regarding conflicting provisions should be used, together with the "herein" language if the Company wants to use a generic option agreement and some Participants are or will become a party to the stockholders agreement.

[2] Consider alternate price for termination for Cause.

[3] If the Company repurchases a participant's shares within six months of their issuance the company will incur a variable accounting charge. Therefore the repurchase period should be not less than nine months so the repurchase can occur after the participant has held the shares for six months.

12.3 **[Alternative 1 –** As a condition precedent to the exercise of the Option, the Participant agrees to become a party to the Stockholders Agreement.**] [Alternative 2]** It shall be a condition precedent to the validity of any sale or other transfer of any Shares by the Participant that the following restrictions be complied with (except as otherwise provided in this Section 12)[4]:

(i) No Shares owned by the Participant may be sold, pledged or otherwise transferred (including by gift or devise) to any person or entity, voluntarily, or by operation of law, except in accordance with the terms and conditions hereinafter set forth.

(ii) Before selling or otherwise transferring all or part of the Shares, the Participant shall give written notice of such intention to the Company, which notice shall include the name of the proposed transferee, the proposed purchase price per share, the terms of payment of such purchase price and all other matters relating to such sale or transfer and shall be accompanied by a copy of the binding written agreement of the proposed transferee to purchase the Shares of the Participant. Such notice shall constitute a binding offer by the Participant to sell to the Company such number of the Shares then held by the Participant as are proposed to be sold in the notice at the monetary price per share designated in such notice, payable on the terms offered to the Participant by the proposed transferee (provided, however, that the Company shall not be required to meet any non-monetary terms of the proposed transfer, including, without limitation, delivery of other securities in exchange for the Shares proposed to be sold). The Company shall give written notice to the Participant as to whether such offer has been accepted in whole by the Company within sixty (60) days after its receipt of written notice from the Participant. The Company may only accept such offer in whole and may not accept such offer in part. Such acceptance notice shall fix a time, location and date for the Closing on such purchase ("Closing Date") which shall not be less than ten (10) nor more than sixty (60) days after the giving of the acceptance notice, provided, however, if any of the Shares to be sold pursuant to this Section 12.3 have been held by the Participant for less than six (6) months, then the Closing Date may be extended by the Company until no more than ten (10) days after such Shares have been held by the Participant for six (6) months if required under applicable accounting rules in effect at the time. 5. The place for such Closing shall be at the Company's principal office. At such Closing, the Participant shall accept payment as set forth herein and shall deliver to the Company in exchange therefor certificates for the number of Shares stated in the notice accompanied by duly executed instruments of transfer.

(iii) If the Company shall fail to accept any such offer, the Participant shall be free to sell all, but not less than all, of the Shares set forth in his or her notice to the designated transferee at the price and terms designated in the Participant's notice, provided that (i) such sale is consummated within six (6) months after the giving of notice by the Participant to the Company as aforesaid, and (ii) the transferee first agrees in writing to be bound by the provisions of this Section 12 so that such transferee (and all subsequent transferees) shall thereafter only be permitted to sell or transfer the Shares in accordance with the terms hereof, and the Company's right of repurchase set forth in Section 12.2 above shall continue in accordance with its terms. After the expiration of such six (6) months, the provisions of this Section 12.3 shall again apply with respect to any proposed voluntary transfer of the Participant's Shares.

[4] Conform with Section 12.1.

(iv) The restrictions on transfer contained in this Section 12.3 shall not apply to (a) transfers by the Participant to his or her spouse or children or to a trust for the benefit of his or her spouse or children, (b) transfers by the Participant to his or her guardian or conservator, and (c) transfers by the Participant, in the event of his or her death, to his or her executor(s) or administrator(s) or to trustee(s) under his or her will (collectively, "Permitted Transferees"); provided however, that in any such event the Shares so transferred in the hands of each such Permitted Transferee shall remain subject to this Agreement, and each such Permitted Transferee shall so acknowledge in writing as a condition precedent to the effectiveness of such transfer.

(v) The provisions of this Section 12.3 may be waived by the Company. Any such waiver may be unconditional or based upon such conditions as the Company may impose.

12.4 In the event that the Participant or his or her successor in interest fails to deliver the Shares to be repurchased by the Company under this Agreement, the Company may elect (a) to establish a segregated account in the amount of the repurchase price, such account to be turned over to the Participant or his or her successor in interest upon delivery of such Shares, and (b) immediately to take such action as is appropriate to transfer record title of such Shares from the Participant to the Company and to treat the Participant and such Shares in all respects as if delivery of such Shares had been made as required by this Agreement. The Participant hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

12.5 [In the event that (i) the Board of Directors and (ii) the holders of a majority of the then outstanding shares of Common Stock approve a Sale of the Company (as defined below), specifying that this Section 12.5 shall apply, then the Participant hereby agrees as follows with respect to the Shares and any other equity securities of the Company which the Participant holds or otherwise exercises dispositive power (the "Drag Along Shares"):

(i) in the event such Sale of the Company requires the approval of stockholders, (1) if the matter is to be brought to a vote at a stockholder meeting, after receiving proper notice of any meeting of stockholders of the Company to vote on the approval of a Sale of the Company, to be present, in person or by proxy, as a holder of Shares, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings; and (2) to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of such Sale of the Company and in opposition of any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Sale of the Company;

[5] If the Company repurchases a Participant's shares within six months of their issuance, the Company will incur a variable accounting charge. Accordingly, the Company should have the option to extend the Closing to avoid the variable accounting charge if it so desires.

(ii) to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company; and

(iii) to sell to such third party on the terms offered by such third party the Drag Along Shares, or if such Sale of the Company involves less than all of the outstanding capital stock of the Company, the Participant's pro rata share of the Drag Along Shares, and to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Company.

As used herein, the following terms shall have the following respective meanings:

"Sale of the Company" means:

(i) a merger or consolidation in which (A) the Company is a constituent party or (B) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this clause (i) all shares of Common Stock issuable upon exercise of options or warrants outstanding immediately prior to such merger or consolidation or upon conversion of convertible securities immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged);

(ii) the sale, lease, transfer, exclusive license (other than an exclusive license approved by the Board of Directors) or other disposition of all or substantially all the assets of the Company and its subsidiaries taken as a whole, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license (other than an exclusive license approved by the Board of Directors) or other disposition is to a wholly owned subsidiary of the Company[; or

(iii) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred such that the stockholders of the Company immediately prior to the transaction or series of related transactions do not own a majority of the voting power of the surviving or acquiring entity following such transaction or series of transactions; other than any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof].]

12.6 If the Company shall pay a stock dividend or declare a stock split on or with respect to any of its Common Stock, or otherwise distribute securities of the Company to the holders of its Common Stock, the number of shares of stock or other securities of the Company issued with respect to the shares then subject to the restrictions contained in this Agreement shall be added to the Shares subject to the Company's rights to repurchase pursuant to this Agreement. If the Company shall distribute to its stockholders shares of stock of another corporation or equity in another entity, the shares of stock of such other corporation or equity in such other entity, distributed with respect to the Shares then subject to the restrictions contained in this Agreement, shall be added to the Shares subject to the Company's rights to repurchase pursuant to this Agreement.

12.7 If the outstanding shares of Common Stock of the Company shall be subdivided into a greater number of shares or combined into a smaller number of shares, or in the event of a reclassification of the outstanding shares of Common Stock of the Company, or if the Company shall be a party to a merger, consolidation or capital reorganization, there shall be substituted for the Shares then subject to the restrictions contained in this Agreement such amount and kind of securities as are issued in such subdivision, combination, reclassification, merger, consolidation or capital reorganization in respect of the Shares subject immediately prior thereto to the Company's rights to repurchase pursuant to this Agreement.

12.8 The Company shall not be required to transfer any Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Agreement, or to treat as owner of such Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Shares shall have been so sold, assigned or otherwise transferred, in violation of this Agreement.

12.9 The provisions of Sections 12.1, 12.2 and 12.3 shall terminate upon the effective date of the registration of the Shares pursuant to the Securities Exchange Act of 1934.

12.10 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with FINRA Rules or similar rules promulgated by another regulatory authority (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.11 The Participant acknowledges and agrees that neither the Company, its shareholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the service of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

12.12 All certificates representing the Shares to be issued to the Participant pursuant to this Agreement shall have endorsed thereon a legend substantially as follows: "The shares represented by this certificate are subject to restrictions set forth in a Stock Option Agreement dated [Date] with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request."

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Participant acknowledges that: (i) the Company is not by the Plan or this Option Agreement obligated to continue the Participant as an Employee, director or Consultant of the Company or an Affiliate; (ii) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (iii) the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iv) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (v) the Participant's participation in the Plan is voluntary; (vi) the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment or consulting contract, if any; and (vii) the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, or by email addressed as follows:

If to the Company:

Hydrofarm Holdings Group, Inc.
2249 South McDowell Boulevard Ext
Petaluma, California 94954
Attention: [_____]
Email: [_____]

If to the Participant at the address set forth on the Stock Option Grant Notice or such address as the Company may then have in its records for the Participant or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

15. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the Delaware, without giving effect to its internal principles governing the conflict of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in California and agree that such litigation shall be conducted in the state courts of Sonoma County, California or the federal courts of the United States for the District of California.

16. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

17. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

18. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

19. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

20. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; (ii) to the extent permitted by applicable law waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form for the purposes set forth in this Agreement.

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**Exhibit A**

NOTICE OF EXERCISE OF STOCK OPTION

**[Form for Unregistered Shares]**

To: Hydrofarm Holdings Group, Inc.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase [#] shares (the "Shares") of the common stock, $.0001 par value, of Hydrofarm Holdings Group, Inc. (the "Company"), at the exercise price of $[_____] per share, pursuant to and subject to the terms of that certain Stock Option Agreement between the undersigned and the Company dated [Date].

I am aware that the Shares have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. I understand that the reliance by the Company on exemptions under the 1933 Act is predicated in part upon the truth and accuracy of the statements by me in this Notice of Exercise.

I hereby represent and warrant that (1) I have been furnished with all information which I deem necessary to evaluate the merits and risks of the purchase of the Shares; (2) I have had the opportunity to ask questions concerning the Shares and the Company and all questions posed have been answered to my satisfaction; (3) I have been given the opportunity to obtain any additional information I deem necessary to verify the accuracy of any information obtained concerning the Shares and the Company; and (4) I have such knowledge and experience in financial and business matters that I am able to evaluate the merits and risks of purchasing the Shares and to make an informed investment decision relating thereto.

I hereby represent and warrant that I am purchasing the Shares for my own personal account for investment and not with a view to the sale or distribution of all or any part of the Shares.

I understand that because the Shares have not been registered under the 1933 Act, I must continue to bear the economic risk of the investment for an indefinite time and the Shares cannot be sold unless the Shares are subsequently registered under applicable federal and state securities laws or an exemption from such registration requirements is available.

I agree that I will in no event sell or distribute or otherwise dispose of all or any part of the Shares unless (1) there is an effective registration statement under the 1933 Act and applicable state securities laws covering any such transaction involving the Shares or (2) the Company receives an opinion of my legal counsel (concurred in by legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration.

I consent to the placing of a legend on my certificate for the Shares stating that the Shares have not been registered and setting forth the restrictions on transfer contemplated hereby and to the placing of a stop transfer order on the books of the Company and with any transfer agents against the Shares until the Shares may be legally resold or distributed without restriction.

I understand that at the present time Rule 144 of the Securities and Exchange Commission (the "SEC") may not be relied on for the resale or distribution of the Shares by me. I understand that the Company has no obligation to me to register the sale of the Shares with the SEC and has not represented to me that it will register the sale of the Shares.

I understand the terms and restrictions on the right to dispose of the Shares set forth in the 2019 Employee, Director and Consultant Equity Incentive Plan and the Stock Option Agreement, both of which I have carefully reviewed. I consent to the placing of a legend on my certificate for the Shares referring to such restriction and the placing of stop transfer orders until the Shares may be transferred in accordance with the terms of such restrictions.

**[I understand and agree that the Shares are subject to the NAME OF Stockholders' Agreement dated _____ between the Company and its stockholders (the "Stockholders' Agreement"), and if I am not already a party to the Stockholders' Agreement [and if the Company so requests] I agree to become a party to such agreement by execution of the counterpart signature page enclosed herewith. I acknowledge that I have read and understand the Stockholders' Agreement which sets forth certain restrictions and limitations on the Shares, including the ability to transfer or sell them in the future.][I further acknowledge and agree that to the extent the terms of Section 12 of the Option Agreement conflict with the Stockholders' Agreement, the terms contained in the Stockholders' Agreement shall govern.][6]**

I have considered the Federal, state and local income tax implications of the exercise of my Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

_____

Please issue the Shares (check one):

☐ to me; or

☐ to me and _____, as joint tenants with right of survivorship and mail the certificate to me at the following address:

[6] Conform with Sections 12.1 and 12.3 of the Option Agreement.

My mailing address for shareholder communications, if different from the address listed above is:

Very truly yours,

Participant (signature)

Print Name

Date

Social Security Number

**Exhibit B**

NOTICE OF EXERCISE OF STOCK OPTION

**[Form for Shares Registered in the United States]**

To: Hydrofarm Holdings Group, Inc.

**IMPORTANT NOTICE**: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase _____ shares (the "Shares") of the common stock, $.0001 par value, of Hydrofarm Holdings Group, Inc. (the "Company"), at the exercise price of $_____ per share, pursuant to and subject to the terms of that Stock Option Grant Notice dated _____, 201_.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

_____

Please issue the Shares (check one):

☐ to me; or

☐ to me and _____, as joint tenants with right of survivorship, at the following address:

_____
_____
_____

My mailing address for shareholder communications, if different from the address listed above, is:

Very truly yours,

Participant (signature)

Print Name

Date

Social Security Number

**Exhibit 10.40**

**INDEMNIFICATION AGREEMENT**

This Indemnification Agreement ("Agreement") is made as of _____, 20__, by and between Hydrofarm Holdings Group, Inc., a Delaware corporation (the "Company"), and _____ ("Indemnitee").

**RECITALS:**

WHEREAS, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself;

WHEREAS, highly competent persons have become more reluctant to serve as directors or in other capacities unless they are provided with adequate protection through insurance and adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, (i) the certificate of incorporation of the Company (the "Certificate of Incorporation") authorizes and the bylaws of the Company (the "Bylaws") require indemnification of the directors and officers of the Company, (ii) Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL") and (iii) the indemnification provisions set forth in the Certificate of Incorporation, the Bylaws and the DGCL are not exclusive and contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefore, nor to diminish or abrogate any rights of Indemnitee thereunder, and

WHEREAS, (i) Indemnitee does not regard the protections available under the Certificate of Incorporation, the Bylaws and insurance as adequate in the present circumstances, (ii) Indemnitee may not be willing to serve or continue to serve as **[a director] [and] [an officer]** without adequate protections, (iii) the Company desires Indemnitee to serve in such **[capacity] [or] [capacities]**, and (iv) the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of Expenses.

**AGREEMENT:**

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. (a) As used in this Agreement:

"Affiliate" of any specified Person shall mean any other Person controlling, controlled by or under common control with such specified Person.

"Change in Control" means a change in control of the Company occurring after the date hereof of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the date hereof (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board then in office, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (iii) at any time, a majority of the members of the Board are not individuals (A) who were directors as of the date hereof or (B) whose election by the Board or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the date hereof or whose election or nomination for election was previously so approved.

"Corporate Status" describes the status of a person who is or was (i) a director, officer, employee or agent of the Company or (ii) a director, officer, manager, member, partner, trustee, fiduciary, employee or agent of any other Enterprise which such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other Enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.

"Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

"Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, manager, member, partner, trustee, fiduciary, employee or agent.

"Expenses" shall mean all reasonable costs, expenses, fees and charges (including without limitation) attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include, without limitation, (i) expenses incurred in connection with any appeal resulting from, incurred by Indemnitee in connection with, arising out of respect of or relating to, any Proceeding, including without limitation, the premium, security for, and other costs relating to any cost bond, supersedes bond, or other appeal bond or its equivalent, (ii) for purposes of Section 12(e) only, expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise, (iii) any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, and (iv) any interest, assessments or other charges in respect of the foregoing.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Indemnity Obligations" shall mean all obligations of the Company to Indemnitee under this Agreement, including the Company's obligations to provide indemnification to Indemnitee and advance Expenses to Indemnitee under this Agreement.

"Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder; provided, however, that the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"Liabilities" means all claims, liabilities, damages, losses, judgments, orders, fines, penalties and other amounts payable that are actually incurred by Indemnitee in connection with, arising out of, or in respect of or relating to any Proceeding, including, without limitation, amounts paid in settlement in any Proceeding and all costs and expenses in complying with any judgment, order or decree issued or entered in connection with any Proceeding or any settlement agreement, stipulation or consent decree entered into or issued in settlement of any Proceeding. For the purpose hereof, references to "fines" shall include any excise tax assessed with respect to any employee benefit plan.

"Person" shall mean any individual, corporation, partnership, limited partnership, limited liability company, trust, governmental agency or body or any other legal entity.

"Proceeding" shall mean any threatened, pending or completed action, claim, suit, arbitration, alternate dispute resolution mechanism, formal or informal hearing, inquiry or investigation, litigation, inquiry, administrative hearing, demand or discovery request or any other actual, threatened or completed judicial, administrative or arbitration proceeding (including, without limitation, any such proceeding under the Securities Act of 1933, as amended, or the Exchange Act or any other federal law, state law, statute or regulation), including any appeal therefrom, whether brought in the right of the Company or otherwise, and whether of a civil, criminal, administrative or investigative nature, in each case, in which Indemnitee was, is or will be, or is threatened to be, involved as a party, witness or otherwise by reason of the Indemnitee's Corporate Status, by reason of any actual or alleged action taken or omission by Indemnitee or of any action or omission on Indemnitee's part while acting in Indemnitee's Corporate Status, in each case whether or not Indemnitee still has such Corporate Status at the time any Liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

"Sponsor Entities" means (i) 2118769 Ontario Inc., (ii) Fruzer Inc., (iii) 2208742 Ontario Inc., (iv) 2208744 Ontario Inc., (v) HF I Investments LLC, (vi) HF II Investments LLC, (vii) HF III Investments LLC, (viii) Hawthorn Limited Partnership, (ix) Hydrofarm Co-Investment Fund, LP, (x) Arch Street Holdings I, LLC and (xi) Payne Capital Corp. (collectively, the "Sponsor Group") and (ii) any Affiliate of the Sponsor Group, provided, however, that neither the Company nor any of its subsidiaries shall be considered Sponsor Entities hereunder.

Section 2. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Delaware law in effect on the date hereof and as amended from time to time; provided, however, that no change in Delaware law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Delaware law as in effect on the date hereof. The rights of Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by the DGCL, including, without limitation, Sections 102 and 145 of the DGCL.

Section 3. Standard for Indemnification. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, Indemnitee shall be indemnified against all Expenses and Liabilities incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

Section 4. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 5), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable on the basis that personal benefit in money, property or services was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, but then only to the extent in accordance with and as authorized by Section 7 and Section 12 of this Agreement, or (ii) the Certificate of Incorporation or the Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board or an agreement approved by the Board to which the Company is a party expressly provide otherwise.

Section 5. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under the DGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in the DGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under the DGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by the DGCL.

Section 6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of Indemnitee's Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, the Company shall indemnify Indemnitee for all Expenses and Liabilities incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 6 for all Liabilities and Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 6 and, without limitation, Indemnitee will be deemed to have been "successful on the merits" in circumstances including, but not limited to, the termination of any Proceeding or of any claim, issue or matter therein, by the winning of a dismissal (with or without prejudice), motion for summary Judgment, settlement (with or without court approval), or upon a plea of nolo contendere or its equivalent. For the avoidance of doubt, this Section 6 shall in no way be deemed to limit the circumstances in which Indemnitee may be indemnified or advanced Expenses pursuant to this Agreement, the DGCL, the Certificate of Incorporation, the Bylaws or otherwise.

Section 7. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary, the Company shall advance the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free.

Advances shall be made without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 7 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 8. Indemnification and Advance of Expenses as a Witness or Other Participant. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be advanced and indemnified against all Expenses and Liabilities suffered or incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten (10) days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advance of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of execution thereof.

Section 9. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any Proceeding with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such action, suit or Proceeding. Any delay or failure by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise under this Agreement, and any delay or failure in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) In the event Indemnitee is entitled to indemnification and/or advancement of Expenses with respect to any Proceeding, Indemnitee may, at Indemnitee's option, (i) retain counsel selected by Indemnitee and approved by the Company (which approval shall not to be unreasonably withheld, conditioned or delayed) to defend Indemnitee in such Proceeding, at the sole expense of the Company, or (ii) have the Company assume the defense of Indemnitee in such Proceeding, in which case the Company shall assume the defense of such Proceeding with counsel selected by the Company and approved by Indemnitee (which approval shall not be unreasonably withheld, conditioned or delayed) within ten (10) days of the Company's receipt of written notice of Indemnitee's election to cause the Company to do so. Indemnitee agrees that any such separate counsel retained by Indemnitee will be a member of any approved list of panel counsel under the Company's applicable directors and officers liability insurance policy, should the applicable policy provide for a panel of approved counsel and should such approved panel list comprise law firms with well-established reputations in the type of litigation at issue (for clarity, the fact of a firm's being part of a panel shall not be evidence of a firm's having a well-established national reputation for the type of litigation at issue). If the Company is required to assume the defense of any such Proceeding, it shall engage legal counsel for such defense, and the Company shall be solely responsible for all fees and expenses of such legal counsel and otherwise of such defense. Such legal counsel may represent both Indemnitee and the Company (and/or any other party or parties entitled to be indemnified by the Company with respect to such matter) unless, in the reasonable opinion of legal counsel to Indemnitee, there is a conflict of interest between Indemnitee and the Company (or any other such party or parties) or there are legal defenses available to Indemnitee that are not available to the Company (or any such other party or parties). Notwithstanding either party's assumption of responsibility for defense of a Proceeding, each party shall have the right to engage separate counsel at its own expense. The party having responsibility for defense of a Proceeding shall provide the other party and its counsel with all copies of pleadings and material correspondence relating to the proceeding. Indemnitee and the Company shall reasonably cooperate in the defense of any Proceeding with respect to which indemnification is sought hereunder, regardless of whether the Company or Indemnitee assumes the defense thereof. Indemnitee may not settle or compromise any Proceeding without the prior written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed. The Company may not settle or compromise any proceeding without the prior written consent of Indemnitee, which consent shall not be unreasonably withheld, conditioned or delayed. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, conditioned or delayed, at the expense of the Company (subject to Section 12(e) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 10. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 9(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board in accordance with the DGCL, which approval will not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board in accordance with the DGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld, conditioned or delayed, by Independent Counsel, in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (C) if so directed by a majority of the members of the Board, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(a). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(b) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

(c) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 10(a) hereof, (i) the Independent Counsel shall be selected by the Company within ten (10) days of the Submission Date (the cost of each such counsel to be paid by the Company), (ii) shall give written notice to Indemnitee advising it of the identity of the Independent Counsel so selected and (iii) Indemnitee may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company Indemnitee's written objection to such selection. Absent a timely objection, the person so selected shall act as Independent Counsel. If a written objection is so made by Indemnitee, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn. If no Independent Counsel shall have been selected and not objected to before the later of (i) thirty (30) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 9(a) hereof (the "Submission Date") and (ii) ten (10) days after the final disposition of the Proceeding, each of the Company and Indemnitee shall select a law firm or member of a law firm meeting the qualifications to serve as Independent Counsel, and such law firms or members of law firms shall select the Independent Counsel. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 12(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) Determination of Good Faith/Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be presumed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or the Board or counsel selected by any committee of the Board or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, investment banker, compensation consultant, or other expert selected with reasonable care by the Company or the Board or any committee of the Board. The provisions of this Section 10(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct. Whether or not the foregoing provisions of this Section are satisfied, it shall in any event be presumed that Director has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 12(e), if the person, persons or entity empowered or selected under Section 10 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefore, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional sixty (60) days, if (i) the determination is to be made by Independent Counsel and Indemnitee objects to the Company's selection of Independent Counsel and (ii) the Independent Counsel ultimately selected requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, or entry of an order of probation prior to judgment, shall not (except as otherwise expressly provided in this Agreement) adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(d) The knowledge and/or actions, or failure to act, of any other director, officer, manager, member, partner, trustee, fiduciary agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee.

(a) Subject to Section 12(e), in the event that (i) a determination is made pursuant to Section 10(a) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Sections 7 or 8 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(a) of this Agreement within sixty (60) days or one-hundred and twenty (120) days, as applicable, after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 6 or 8 of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to any other section of this Agreement, the Certificate of Incorporation or the Bylaws is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action orProceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification and/or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 10(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 12 shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Sections 7 or 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). If a determination shall have been made pursuant to Section 10(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a prohibition of such indemnification under applicable law or a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification that was not disclosed in connection with the determination.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) In the event that Indemnitee, pursuant to this Section 12, seeks a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, if Indemnitee is successful, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(f) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under Delaware law for amounts which the Company pays or is obligated to pay for the period commencing with the date on which the Company was requested to advance expenses in accordance with Sections 7 or 8 of this Agreement or to make the determination of entitlement to indemnification under Section 10(a) above and ending on the date such payment is made to Indemnitee by the Company.

Section 13. Non-exclusivity; Survival of Rights; Insurance; Privacy of Indemnification; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of the Board, or otherwise. No amendment, alteration or repeal of the Certificate of Incorporation or the Bylaws, this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Certificate of Incorporation, the Bylaws and/or this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in not prevent the concurrent assertion or employment of any other right or remedy.

(b) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any corporate insurance policy, contract, agreement or otherwise; provided, however, that payment made to Indemnitee pursuant to an insurance policy purchased and maintained by Indemnitee at his or her own expense of any amounts otherwise indemnifiable or obligated to be made pursuant to this Agreement shall not reduce the Company's obligations to Indemnitee pursuant to this Agreement.

(c) The Company will use its reasonable best efforts to acquire and maintain directors and officers liability insurance, on terms and conditions deemed appropriate by the Board, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of Indemnitee's Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of Indemnitee's Corporate Status. Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. In the event of a Change in Control, the Company shall maintain in force any and all directors and officers liability insurance policies that were maintained by the Company immediately prior to the Change in Control for a period of six years with the insurance carrier or carriers and through the insurance broker in place at the time of the Change in Control; provided, however, (i) if the carriers will not offer the same policy and an expiring policy needs to be replaced, a policy substantially comparable in scope and amount shall be obtained and (ii) if any replacement insurance carrier is necessary to obtain a policy substantially comparable in scope and amount, such insurance carrier shall have an AM Best rating that is the same or better than the AM Best rating of the existing insurance carrier; provided, further, however, in no event shall the Company be required to expend in the aggregate in excess of 300% of the annual premium or premiums paid by the Company for directors and officers liability insurance in effect on the date of the Change in Control. In the event that 300% of the annual premium paid by the Company for such existing directors and officers liability insurance is insufficient for such coverage, the Company shall spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(d) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee which would otherwise be indemnifiable hereunder arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in Section 13(a). The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies.

(e) The Indemnitee shall reasonably cooperate with the Company or any insurance carrier of the Company with respect to any Proceeding.

(f) The indemnification provided for in this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of Indemnitee.

Section 14. Duration of Agreement; Not Employment Contract.

(a) This Agreement shall continue until and terminate on the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement). This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement to the fullest extent permitted by law. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director of the Company, by the Certificate of Incorporation, the Bylaws and the DGCL.

(b) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 15. Notice by Company. If the Indemnitee is the subject of, or is, to the knowledge of the Company, implicated in any way during an investigation, whether formal or informal, that is related to Indemnitee's Corporate Status and that reasonably could lead to a Proceeding for which indemnification can be provided under this Agreement, the Company shall notify the Indemnitee of such investigation and shall share (to the extent legally permissible) with Indemnitee any information it has provided to any third parties concerning the investigation ("Shared Information"). By executing this Agreement, Indemnitee agrees that such Shared Information is material non-public information that Indemnitee is obligated to hold in confidence and may not disclose publicly; provided, however, that Indemnitee may use the Shared Information and disclose such Shared Information to Indemnitee's legal counsel and third parties, in each case solely in connection with defending Indemnitee from legal liability.

Section 16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 17. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as **[a director] [and] [an officer]** of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as **[a director] [and] [an officer]** of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and shall not be deemed a substitute therefore, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 19. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

Hydrofarm Holdings Group, Inc.
2249 S. McDowell Ext.
Petaluma, CA 94954
Attn: Chief Executive Officer

or to any other address as may have been furnished to Indemnitee by the Company.

Section 20. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought in the Court of Chancery of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 21. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 22. Third-Party Beneficiaries. The Sponsor Entities are intended third-party beneficiaries of this Agreement.

Section 23. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

HYDORFARM HOLDINGS GROUP, INC.

By: _____

Name: _____

Office: _____

INDEMNITEE

Name: _____

Address: _____

**EXHIBIT A**

FORM OF AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of Hydrofarm Holdings Group, Inc.

Re: Undertaking to Repay Expenses Advanced

**[Ladies and]** Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the _____day of _____, 20__, by and between Hydrofarm Holdings Group, a Delaware corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director] [and] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this _____ day of _____, 20__.

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**Exhibit 10.41**

**PLACEMENT AGENCY AGREEMENT**

August 3, 2018

A.G.P./Alliance Global Partners
590 Madison Avenue
36th Floor
New York, NY 10022

-and-

Aegis Capital Corp.
810 Seventh Ave, 18th Floor
New York, NY 10019

Re: Hydrofarm Holdings Group, Inc.

Ladies and Gentlemen:

This Placement Agency Agreement ("**Agreement**") sets forth the terms upon which A.G.P./Alliance Global Partners, a California corporation ("**AGP**"), as lead placement agent and Aegis Capital Corp., a New York corporation which does business from time to time under the name SternAegis Ventures, as co- placement agent ("**Aegis**"), both registered broker-dealers and members of the Financial Industry Regulatory Authority ("**FINRA**") (hereinafter together, unless the context otherwise requires, the "**Placement Agent**"), shall be engaged by Hydrofarm Holdings Group, Inc., a Delaware corporation (the "**Issuer**"), and Hydrofarm Investment Corp., a Delaware corporation ("**Hydrofarm**" or "**Operating Company**") to act as exclusive Placement Agent in connection with the private placement (the "**Offering**"), of units of securities of the Issuer ("**Units**"), priced at $2.50 per Unit, with each Unit consisting of (i) one (1) share of common stock, par value $0.0001 ("**Common Stock**" or "**Shares**") and (ii) one warrant (each an "**Investor Warrant**" and collectively, the "**Investor Warrants**"), entitling the holder to purchase one- half (1/2) share of Common Stock at an initial exercise price of $ 5.00 per full Share. The Offering will consist of a minimum of 6,000,000 Units ($15,000,000) (the "**Minimum Offering Amount**") and up to a maximum of 14,000,000 Units ($35,000,000) (the "Maximum Offering Amount"). In the event that the Maximum Offering Amount is sold, the Placement Agent and the Issuer shall have the right to sell up to an additional 6,000,000 Units ($15,000,000) to cover over-allotments. Concurrently with the initial closing of the Minimum Offering Amount (the "**First Closing**"), Hydrofarm Merger Sub, Inc., a Delaware Corporation and wholly-owned subsidiary of the Issuer ("**Merger Sub**"), will merge with and into Hydrofarm and will continue the existing operations of Hydrofarm as a wholly-owned subsidiary of the Issuer (the "**Merger**").

As part of or in conjunction with the Merger, the Issuer will issue shares of its Common Stock and warrants to purchase its Common Stock to the Operating Company's then -existing security holders pursuant to the terms of an Agreement and Plan of Merger dated as of the date hereof and to be consummated on or prior to the date of the First Closing, among the Operating Company, the Issuer and Merger Sub (the "**Merger Agreement**"). As used in this Agreement, unless the context otherwise requires, the term **"Company"** refers to the Issuer and the Operating Company on a combined basis after giving effect to the Offering and the Merger.

The purchase price for the Units will be $2.50 per Unit (the "**Offering Price**"), with a minimum investment of $250,000; *provided, however*, that subscriptions for lesser amounts may be accepted in the Issuer's and Placement Agent's joint discretion. The Placement Agent shall accept subscriptions only from persons or entities who qualify as "accredited investors," as such term is defined in Rule 501 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Act**"). The Units will be offered until the earlier of (i) the termination of the Offering as provided herein, (ii) the time that all Units offered in the Offering are sold or (iii) October 17, 2018 ("**Initial Offering Period**), which date may be extended by Placement Agent and the Issuer in their joint discretion until January 18, 2019 (this additional period and the Initial Offering Period shall be referred to as the "**Offering Period**"). The date on which the Offering expires or is terminated shall be referred to as the "**Termination Date**."

With respect to the Offering, the Issuer shall provide the Placement Agent, on terms set forth herein, the right to offer and sell all of the Units being offered. Purchases of Units may be made by the Placement Agent and their respective officers, directors, employees and affiliates. All such purchases, together with purchases by officers, directors, employees and affiliates of the Operating Company and the Issuer, shall be included in calculations as to whether the Minimum Amount has been sold in the Offering. The Issuer may, in its sole discretion, accept or reject, in whole or in part, any prospective investment in the Units. Notwithstanding anything to the contrary set forth herein, it is understood that no sale shall be regarded as effective unless and until accepted by the Issuer. The Issuer and the Placement Agent shall mutually agree with respect to allotting any prospective subscriber less than the number of Units that such subscriber desires to purchase.

The Offering will be made by the Issuer solely pursuant to the Memorandum (as defined below), which at all times will be in form and substance reasonably acceptable to the Operating Company, the Issuer, the Placement Agent and their respective counsel and contain such legends and other information as the Operating Company, the Issuer, the Placement Agent and their respective counsel, may, from time to time, deem necessary and desirable to be set forth therein. "**Memorandum**" as used in this Agreement means the Issuer's Confidential Private Placement Memorandum dated August 3, 2018, inclusive of all annexes, and all amendments, supplements and appendices thereto.

The Placement Agent acknowledges that it is aware that the Operating Company is conducting a concurrent private placement to existing Hydrofarm investors, of between $15 - $20 million of units in Hydrofarm which, in connection with the Merger, will ultimately be exchanged for securities with identical terms to the securities comprising the Units being offered in the Offering (the "**Concurrent Offering**"). The Placement Agent acknowledges and agrees that it shall not be entitled to receive the Agent Compensation (as hereinafter defined), or any other compensation in respect of, the Concurrent Offering.

1. Appointment of Placement Agent. On the basis of the representations and warranties provided herein, and subject to the terms and conditions set forth herein, the Placement Agent is appointed as exclusive Placement Agent for the Issuer during the Offering Period to assist the Issuer in finding qualified subscribers for the Offering. The Placement Agent may sell Units through other broker-dealers who are FINRA members, as well as through foreign finders pursuant to applicable FINRA rules, and may reallow all or a portion of the Agent Compensation (as defined in Section 3(b) below) it receives to such other broker- dealers or foreign finders. On the basis of such representations and warranties and subject to such terms and conditions, the Placement Agent hereby accepts such appointment and agrees to perform its services hereunder diligently and in good faith and in a professional and businesslike manner and to use its reasonable efforts to assist the Issuer in (A) finding subscribers of Units who qualify as "accredited investors," as such term is defined in Rule 501 of Regulation D, and (B) completing the Offering. The Placement Agent has no obligation to purchase any of the Units. Unless sooner terminated in accordance with this Agreement, the engagement of the Placement Agent hereunder shall continue until the later of the Termination Date or the Final Closing (as defined below).

2. Representations, Warranties and Covenants of Operating Company. Except as set forth in the schedule of exceptions delivered to the Placement Agent on the date hereof (the "**Schedule of Exceptions**") or in the Memorandum, the representations and warranties of the Operating Company contained in this Section 2 are true and correct as of the date of this Agreement.

(a) The Memorandum has been prepared in conformity with all applicable laws, and is in compliance in all material respects with Regulation D and Section 4(a)(2) of the Act and the requirements of all other rules and regulations (the "**Regulations**") of the SEC relating to offerings of the type contemplated by the Offering. The Units will be offered and sold pursuant to the registration exemptions provided by Regulation D and Section 4(a)(2) of the Act as a transaction not involving a public offering and the requirements of any other applicable state securities laws and the respective rules and regulations thereunder in those United States jurisdictions in which the Placement Agent notifies the Issuer that the Units are being offered for sale. To the extent that Units are offered in jurisdictions outside of the United States, such Units will be offered and sold in compliance, in all material respects, with all applicable laws that govern private securities offerings in the applicable country and in all local jurisdictions in which such Units are offered. None of the Issuer, the Operating Company, their respective affiliates, or any person acting on their behalf (other than the Placement Agent, its affiliates or any person acting on their behalf, in respect of which no representation is made) has taken nor will it take any action that conflicts with the conditions and requirements of, or that would make unavailable with respect to the Offering, the exemption(s) from registration available pursuant to Rule 506(b) of Regulation D or Section 4(a)(2) of the Act, or knows of any reason why any such exemption would be otherwise unavailable to it.

(b) As to the Operating Company only, the Memorandum does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, the foregoing does not apply to any statements or omissions made (i) by the Issuer therein or (ii) solely in reliance on and in conformity with written information furnished to the Issuer by the Placement Agent specifically for use therein. To the knowledge of the Operating Company, none of the statements, documents, certificates or other items made, prepared or supplied by the Operating Company with respect to the transactions contemplated hereby contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. There are no facts, circumstances or conditions which the Operating Company has not furnished to the Issuer to be disclosed in the Memorandum and of which the Operating Company is aware that materially adversely affects or that could reasonably be expected to have an Operating Company Group Material Adverse Effect (as defined below). Notwithstanding anything to the contrary herein, the Operating Company makes no representation or warranty with respect to any estimates, projections and other forecasts and plans (including the reasonableness of the assumptions underlying such estimates, projections and other forecasts and plans) that may have been delivered to the Placement Agent, except that such estimates, projections and other forecasts and plans have been prepared in good faith on the basis of assumptions stated therein, which assumptions were believed to be reasonable at the time of such preparation.

(c) The Operating Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware and has the requisite power and authority to own its properties and to carry on its business as described in the Memorandum. Section 2(c) of the Schedule of Exceptions lists each entity owned or controlled, directly or indirectly by the Operating Company (each a "**Subsidiary**" and collectively, the "**Subsidiaries**"). Each Subsidiary is duly incorporated or formed, as applicable, validly existing and in good standing under the laws of the state or foreign jurisdiction of its incorporation or formation, as applicable, as set forth in Section 2(c) of the Schedule of Exceptions. Except as set forth on Section 2(c) of the Schedule of Exceptions, neither the Operating Company nor any Subsidiary (i) owns or controls, directly or indirectly, any interest in any other corporation, association or other business entity or (ii) participates in any joint venture, partnership or similar arrangement. Each Subsidiary has the requisite company power to own, operate and lease its properties and to carry out its business as described in the Memorandum. Each of the Operating Company and the Subsidiaries (collectively, the "**Operating Company Group)** is qualified or licensed to do business in the jurisdictions listed in Section 2(c) of the Schedule of Exceptions, except for any failure to be so qualified or licensed that would not have an Operating Company Group Material Adverse Effect. Each member of the Operating Company Group is qualified or licensed to do business in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of its business makes qualification necessary, except for any failure to be so qualified or licensed that would not have an Operating Company Group Material Adverse Effect. The Operating Company has delivered to the Placement Agent a true, correct and complete copy of the organizational documents of each member of the Operating Company Group. No member of the Operating Company Group is in material violation of any provision of any of its organizational documents. As used in this Agreement, "**Operating Company Group Material Adverse Effect"** means any material adverse effect on the business, properties, assets, operations, results of operations or condition (financial or otherwise) of the Operating Company Group taken as a whole, or on the transactions contemplated hereby and the other Op Co Transaction Documents (as defined below) or by the agreements and instruments to be entered into in connection herewith or therewith, or on the authority or ability of the Operating Company to perform its obligations under the Op Co Transaction Documents.

(d) The Operating Company has all requisite corporate power and authority to enter into and perform its obligations under this Agreement, the Subscription Agreement substantially in the form of Annex C to the Memorandum (the "**Subscription Agreement**") and the other agreements contemplated hereby (this Agreement and the other agreements contemplated hereby that the Operating Company is executing and delivering hereunder are collectively referred to herein as the "**Op Co Transaction Documents**"). Prior to the First Closing, each of the Op Co Transaction Documents (other than this Agreement, which has already been authorized) will have been duly authorized. This Agreement has been duly authorized, executed and delivered and constitutes, and each of the other Op Co Transaction Documents, upon due execution and delivery, will constitute, valid and binding obligations of the Operating Company, enforceable against the Operating Company in accordance with their respective terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect related to laws affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and except that no representation is made herein regarding the enforceability of the Operating Company's obligations to provide indemnification and contribution remedies under the securities laws and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(e) Except as set forth on Section 2(e) of the Schedule of Exceptions, neither the execution and the delivery of this Agreement or any Op Co Transaction Document, nor the consummation of the transactions contemplated hereby, will (with or without the passage of time or giving of notice): (i) violate any injunction, judgment, order, decree, ruling, charge or other restriction, or any law applicable to any member of the Operating Company Group, (ii) violate any provisions of any of the charter documents of any member of the Operating Company Group, (iii) violate or constitute a default (or any event which, with or without due notice or lapse of time, or both, would constitute a violation or default) under, result in the termination of, accelerate the performance required by any of the terms, conditions or provisions of any Material Contract (as defined in Section 2(k) below) of any member of the Operating Company Group, or by which any member of the Operating Company Group, or any of its respective operating assets, is bound or (iv) result in the creation of any lien, charge or other encumbrance on the assets or properties of any member of the Operating Company Group.

(f) The financial statements of Hydrofarm, LLC (one of the entities in the Operating Company Group) and its subsidiaries, together with the related notes and supporting schedules, if any, included in the Memorandum, present fairly, in all material respects, the financial condition of Hydrofarm, LLC and its subsidiaries as of the dates specified and the results of operations, statements of cash flow and members' equity for the periods covered thereby. Such financial statements and related notes were prepared to conform with United States generally accepted accounting principles applied on a consistent basis throughout the periods indicated. Except as set forth in such financial statements or otherwise disclosed in the Memorandum, no member of the Operating Company Group has any known material liabilities of any kind, whether accrued, absolute or contingent, or otherwise, and subsequent to the date of the Memorandum and prior to the date of the First Closing none of such entities shall enter into any material transactions or commitments without promptly thereafter notifying the Placement Agent in writing of any such material transaction or commitment. The other financial and statistical information with respect to any members of the Operating Company Group included in the Memorandum present fairly in all material respects the information shown therein on a basis consistent with the financial statements of Hydrofarm, LLC and its subsidiaries included in the Memorandum. To the knowledge of the Operating Company, there are no facts, circumstances or conditions that could reasonably be expected to have an Operating Company Group Material Adverse Effect that have not been fully disclosed in the Memorandum.

(g) Since the date of Hydrofarm, LLC's most recent financial statements contained in the Memorandum, there has been no Operating Company Group Material Adverse Effect. Except as disclosed in the Memorandum or in Section 2(g) of the Schedule of Exceptions, since the date of Hydrofarm, LLC's most recent financial statements contained in the Memorandum, no member of the Operating Company Group has (i) declared or paid any dividends, (ii) sold any assets, individually or in the aggregate, in excess of $300,000 outside of the ordinary course of business or (iii) had capital expenditures, individually or in the aggregate, in excess of $300,000. No member of the Operating Company Group has taken any steps to seek protection pursuant to any bankruptcy law nor does any member of the Operating Company Group have any actual knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so.

(h) Except as described in the Memorandum, in the financial statements of Hydrofarm, LLC or in Section 2(h) of the Schedule of Exceptions, no member of the Operating Company Group has outstanding Indebtedness (as defined below) in excess of $100,000 or is in violation of any term of or in default under any contract, agreement or instrument relating to any Indebtedness. For purposes of this Agreement: (a) "**Indebtedness**" means, with respect to any Person, without duplication, (i) indebtedness for borrowed money, (ii) amounts owing as deferred purchase price for property or services, including "earn- out" payments, (iii) indebtedness for borrowed money evidenced by any note, bond, debenture, mortgage or other debt instrument or debt security, (iv) obligations under any interest rate, currency or other hedging or similar agreement, (v) obligations under any performance bond, surety bond, letter of credit or similar instrument, but only to the extent drawn or called as of such time, (vi) all liabilities secured by any lien or other encumbrance on the assets or property owned or held by the Person, (viii) all equityholder loans and employee advances, (ix) all accrued (or earned) and unpaid employee salaries and all accrued (or earned) and unpaid employee bonus payments related to any period of time prior to the date hereof, (x) any indebtedness guaranteed for which the Person is liable, (xi) all accrued and unpaid taxes of such Person and its predecessors, related to any period of time prior to the date hereof, and (xii) deferred revenue of such Person and (b) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

(i) The conduct of business by members of the Operating Company Group as presently and proposed to be conducted is not subject to continuing oversight, supervision, regulation or examination by any governmental official or body of the United States, or any other jurisdiction wherein any such members currently conduct such business, except as described in the Memorandum or in Section 2(i) of the Schedule of Exceptions. Neither the Operating Company, nor any other member of the Operating Company Group has received any notice of any violation of, or noncompliance with, any federal, state, local or foreign laws, ordinances, regulations and orders (including, without limitation, those relating to environmental protection, occupational safety and health, securities laws, equal employment opportunity, consumer protection, credit reporting, "truth-in-lending", and warranties and trade practices) applicable to its business, the violation of, or noncompliance with, would have an Operating Company Group Material Adverse Effect, and the Operating Company knows of no facts or set of circumstances which could give rise to such a notice.

(j) Each member of the Operating Company Group has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as described in the Memorandum, except as would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. Except as disclosed in the Memorandum, no member of the Operating Company Group has received written notice of (i) any pending proceedings which could reasonably be expected to result in the revocation, cancellation, suspension of any adverse modification of any such franchises, permits, licenses or other similar authority or (ii) any default under any of such franchises, permits, licenses or other similar authority, except as would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect.

(k) Except as disclosed in the Memorandum or in Section 2(k) of the Schedule of Exceptions, no breach or default by any member of the Operating Company Group or, to the knowledge of the Operating Company, any other party, exists in the due performance under any of the terms of any note, bond, indenture, mortgage, deed of trust, lease, rental agreement, material contract, material purchase or sales order or other material agreement or instrument to which any member of the Operating Company Group is a party or by which it or its property is bound or affected (each of the foregoing, a "**Material Contract**"), and there exists no condition, event or act which constitutes, nor which after notice, the lapse of time or both, could constitute a default under any of the foregoing, except as would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. The Material Contracts disclosed in the Memorandum are accurately described in the Memorandum and are in full force and effect in accordance with their respective terms, subject to any applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally and to general equitable principles and the availability of specific performance.

(l) The members of the Operating Company Group collectively, solely and exclusively own all right, title and interest in, or possesses enforceable rights to use, all patents, patent applications, trademarks, service marks, copyrights, rights, licenses, franchises, trade secrets, confidential information, processes and formulations necessary for the conduct of its business as now conducted (collectively, the "**Intangibles**"), except where the failure to own or possess such rights would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. To the Operating Company's knowledge, no member of the Operating Company Group has infringed upon the rights of others with respect to the Intangibles and, except as disclosed in the Memorandum, no member of the Operating Company Group has received any notice that such member has or may have infringed or is infringing upon the rights of others with respect to the Intangibles, nor has such member received any written notice of conflict with the asserted rights of others with respect to the Intangibles. To the knowledge of the Operating Company, all such Intangibles are enforceable and no others have infringed upon the rights of any members of the Operating Company Group with respect to the Intangibles. None of the Operating Company Group's Intangibles have expired or terminated, or are expected to expire or terminate, within three years from the date of this Agreement. All current and former officers, employees, consultants and independent contractors of each member of the Operating Company Group having access to proprietary information of a member of the Operating Company Group, its customers or business partners and inventions owned by any member of the Operating Company Group have executed and delivered to the applicable member of the Operating Company Group an agreement regarding the protection of such proprietary information. The Operating Company Group has secured, by valid written assignments from all of Operating Company Group's current and former consultants, independent contractors and employees who were involved in, or who contributed to, the creation or development of any Intangibles, unencumbered and unrestricted exclusive ownership of each such third party's Intangibles in their respective contributions, except where the failure to do so would not individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. No current or former employee, officer, director, consultant or independent contractor of any member of the Operating Company Group has any right, license, claim or interest whatsoever in or with respect to any Intangibles.

(m) To the Operating Company's knowledge, all computer, information technology and data processing systems, facilities and services used by each member of the Operating Company Group, including all software, hardware, networks, communications facilities, platforms and related systems and services used by each such member (collectively, "**Systems**") operate and perform in accordance with their documentation and functional specifications and otherwise as required by each such member and are free of (i) any critical defects, including any critical error or critical omission in the processing of any transactions and (ii) any disabling codes or instructions and any "back door," "time bomb, "Trojan Horse," "worm," "drop dead device," "virus," or hardware components (collectively, "**Contaminants**") that would permit or cause unauthorized access or the unauthorized disruption, impairment, disablement of such Systems (or any parts thereof) or erasure of any Personally Identifiable Information (as defined below), except as would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. Each member of the Operating Company Group takes and has taken reasonable steps and implements and has implemented reasonable procedures designed to (x) ensure that their Systems are free from Contaminants, (y) ensure the security and integrity of any Personally Identifiable Information and protect against hazards or threats to the security or integrity of any Personally Identifiable Information and (z) prevent unauthorized access to Personally Identifiable Information, except as would not, individually or in the aggregate, reasonably be expected to have an Operating Company Group Material Adverse Effect. "Personally Identifiable Information" means any information that specifically identifies, or is capable of identifying, any individual Person, whether a living or dead, including any information that could be associated with such individual, such as an address, e-mail address, telephone number, health information, financial information, drivers' license number, location information, or government issued identification number. Each member of the Operating Company Group has reasonable disaster recovery plans, procedures and facilities in place.

(n) Except as set forth in the Memorandum or Section 2(n) of the Schedule of Exceptions, no member of the Operating Company Group is a party to any collective bargaining agreement nor does it employ any member of a union. No executive officer of any member of the Operating Company Group has provided written notice that such officer intends to leave the Operating Company Group or otherwise terminate such officer's employment with the Operating Company Group. No executive officer of any member of the Operating Company Group, to the knowledge of the Operating Company, is in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer does not subject the Operating Company Group to any material liability with respect to any of the foregoing matters. Each member of the Operating Company Group is in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in an Operating Company Group Material Adverse Effect.

(o) Except as (i) set forth in the Memorandum, (ii) on Section 2(o) of the Schedule of Exceptions, (iii) may be required under state securities or Blue Sky laws or (iv) will have been obtained or made on or prior to the First Closing, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with any court or governmental authority or other Person on the part of any member of the Operating Company Group is required in connection with the consummation of the transactions contemplated herein or in the other Op Co Transaction Documents.

(p) The inventory of the Operating Company Group (i) is in good, merchantable and useable condition, (ii) is, in the case of finished goods, of a quality and quantity saleable in the ordinary course of business consistent with past practice and in the case of all other inventory, of a quality and quantity useable in the ordinary course of business consistent with past practice. The inventory obsolescence policies of each member of the Operating Company Group are appropriate for the nature of the products sold and the marketing methods used by each of such members of the Operating Company Group.

(q) Subsequent to the respective dates as of which information is given in the Memorandum, the Operating Company has operated its business in the ordinary course and, except as may otherwise be set forth in the Memorandum, there has been no: (i) Operating Company Group Material Adverse Effect; (ii) transaction otherwise than in the ordinary course of business consistent with past practice; (iii) issuance of any securities (debt or equity) or any rights to acquire any such securities other than pursuant to equity incentive plans approved by its board of directors; (iv) damage, loss or destruction, whether or not covered by insurance, with respect to any asset or property of Operating Company or (v) agreement to permit any of the foregoing.

(r) Except as set forth in the Memorandum or in Section 2(r) of the Schedule of Exceptions, there are no actions, suits, claims, hearings or proceedings pending before any court or governmental authority or, to the knowledge of Operating Company, threatened, against any members of the Operating Company Group, or involving its assets or any of its officers or directors (in their capacity as such) which, if determined adversely to such member of the Operating Company Group or such officer or director, could reasonably be expected to have an Operating Company Group Material Adverse Effect. No member of the Operating Company Group is a party or subject to the provisions of any material order, writ, injunction, judgment or decree of any governmental authority that has not been satisfied in full or otherwise discharged.

(s) No member of the Operating Company Group is in violation of any: (i) statute, rule or regulation applicable to such member, the violation of which would have an Operating Company Group Material Adverse Effect; or (ii) judgment, decree or order of any court or governmental body having jurisdiction over such member of the Operating Company Group, which violation or violations individually, or in the aggregate, could reasonably be expected to have an Operating Company Group Material Adverse Effect.

(t) Except as disclosed in the Memorandum or in Section 2(t) of the Schedule of Exceptions, none of the stockholders of the Operating Company, or any director, officer or manager of the Operating Company or any Subsidiary (i) owns, directly or indirectly, any interest in any Person which is a competitor, supplier or customer of any member of the Operating Company Group (unless such person is a publicly traded company), (ii) owns, directly or indirectly, in whole or in part, any property, asset or right, real, personal or mixed, tangible or intangible (including any of the Intangibles) which is utilized by or in connection with the business of any member of the Operating Company Group, (iii) is a customer of, or supplier to, any member of the Operating Company Group or (iv) directly or indirectly has an interest in or is a party to any Material Contract pertaining or relating to any member of the Operating Company Group. In addition, except as disclosed in the Memorandum or on Section 2(t) of the Schedule of Exceptions, no stockholder of the Operating Company, director, officer or employee of the Operating Company or any Stockholder, nor, to the knowledge of the Operating Company, any affiliate of any such person is presently, directly or indirectly through his/her affiliation with any other person or entity, a party to any loan from any member of the Operating Company Group.

(u) Each of the Operating Company and the Subsidiaries has filed, on a timely basis, each federal, state, local and foreign tax return, report and declarations that were required to be filed, or has requested an extension therefor and has paid all taxes and all related assessments, charges, penalties and interest to the extent that the same have become due. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of Operating Company know of no basis for any such claim. Neither the Operating Company nor any Subsidiary has executed any waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. To the knowledge of Operating Company, none of the Operating Company Group's tax returns is presently being audited by any taxing authority. No liens have been filed and no claims are being asserted by or against any member of the Operating Company Group with respect to any taxes (other than liens for taxes not yet due and payable). The Operating Company has received no notice of assessment or proposed assessment of any taxes claimed to be owed by it or any other Person on its behalf. Neither the Operating Company nor any Subsidiary is a party to any tax sharing or tax indemnity agreement or any other agreement of a similar nature that remains in effect. The Operating Company and the Subsidiaries have complied in all material respects with all applicable legal requirements relating to the payment and withholding of taxes and, within the time and in the manner prescribed by law, has withheld from wages, fees and other payments and paid over to the proper governmental or regulatory authorities all amounts required.

(v) Except as otherwise disclosed in the Memorandum, (i) each member of the Company Group has at all times conducted and currently conducts its business in compliance, in all material respects, with all Environmental Laws (as defined below), including having and complying with all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) no member of the Company Group has received any communication from any governmental entity or any other Person alleging that it may be or was in violation of, or liable under, any Environmental Law, and (iii) there is no claim pending, or to the Operating Company's knowledge, threatened, against the Operating Company or any member of the Company Group arising under any Environmental Law. For purposes hereof, "**Environmental Law**" means any applicable Federal, state, local or foreign laws, relating to (a) the protection, preservation or restoration of the environment (including, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or (b) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, Hazardous Substances, in each case as amended and as in effect on the date hereof. "**Hazardous Substance**" means any substance listed, defined, designated or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance for which exposure is regulated by any governmental entity or any Environmental Law including, but not limited to, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos, or asbestos containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

(w) Except as disclosed in the Memorandum or as set forth on Section 2(w) of the Schedule of Exceptions, neither the Operating Company nor any Subsidiary owns any real property. Each of the Operating Company and the Subsidiaries has good and marketable title to all personal property and assets reflected as owned by it in the Financial Statements referred to in Section 2(f) above and which are material to the business of the Operating Company or such Subsidiary, in each case free and clear of any security interests, mortgages, liens, encumbrances, claims and other defects, except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property. The real property, improvements, equipment and personal property held under lease by each of the Operating Company and the Subsidiaries are held under valid and enforceable leases, with such exceptions as are not material, and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property. With respect to the property and assets leased, each member of the Operating Company Group is in compliance with such leases.

(x) Each member of the Operating Company Group and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "**ERISA**")) established or maintained by the Operating Company, the Subsidiaries or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "**ERISA Affiliate**" means, with respect to the Company or a Subsidiary, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "**Code**") of which the Company or such Subsidiary is a member. Each "employee benefit plan" established or maintained by the Operating Company, its Subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(y) Neither the Operating Company, any Subsidiary, nor, to the knowledge of the Operating Company or any Subsidiary, any director, officer, agent, employee or other Person acting on behalf of any of such entities has, in the course of its actions for, or on behalf of, the Operating Company or any Subsidiary (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(z) No member of the Operating Company Group is obligated to pay, and has not obligated the Placement Agent to pay, a finder's or origination fee in connection with the Offering (other than to the Placement Agent), and the Operating Company hereby agrees to indemnify the Placement Agent from any such claim made by any other person, as more fully set forth in Section 8 hereof. The Operating Company has not offered for sale or solicited offers to purchase the Units except for negotiations with the Placement Agent.

(aa) [Reserved].

(bb) The Operating Company and the Subsidiaries have established internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(cc) Each of the Operating Company and the Subsidiaries is insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are prudent and customary in the business in which it is engaged, including directors and officers liability.

(dd) The Operating Company and the Subsidiaries have established or are in the process of establishing "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "**Exchange Act**")), which (i) are designed to ensure that material information relating to the Operating Company and the Subsidiaries is made known to the Operating Company's or the Subsidiaries' principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act would be prepared, and (ii) such disclosure controls and procedures are effective to perform the functions for which they were established. The Operating Company is not aware of any fraud, whether or not material, that involves management or other employees who have a role in the Operating Company's or Subsidiaries' internal controls.

(ee) The Operating Company, as well as all Operating Company Related Persons (as defined below) are not subject to any of the disqualifications set forth in Rule 506(d) of Regulation D (each a "**Disqualification Event**"). The Operating Company has exercised reasonable care to determine whether any Operating Company Related Person is subject to a Disqualification Event. The Memorandum contains a true and complete description of the matters required to be disclosed with respect to the Operating Company and the Operating Company Related Persons pursuant to the disclosure requirements of Rule 506(e) of Regulation D, to the extent applicable. As used herein, "**Operating Company Related Persons**" means any predecessor of the Operating Company, any affiliated Operating Company, any director, executive officer, other officer of the Operating Company participating in the Offering, any general partner or managing member of the Operating Company, any beneficial owner of 20% or more of the Operating Company's outstanding voting equity securities, calculated on the basis of voting power, and any "promoter" (as defined in Rule 405 under the Act) connected with the Operating Company in any capacity. The Operating Company agrees to promptly notify the Placement Agent in writing of (i) any Disqualification Event relating to any Operating Company Related Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Operating Company Related Person.

(ff) [Reserved].

(gg) No representation or warranty by the Operating Company contained in Section 2 of this Agreement and no statement by the Operating Company contained in the Schedule of Exceptions to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances in which they are made, not misleading.

2A. Representations, Warranties and Covenants of the Issuer. The representations and warranties of the Issuer (as used in this Section 2A, "Issuer" refers to Hydrofarm Holdings Group, Inc. and its subsidiaries) contained in this Section 2A are true and correct as of the date of this Agreement.

(a) The Memorandum has been prepared in conformity with all applicable laws, and is in compliance in all material respects with Regulation D and Section 4(a)(2) of Act and the requirements of all other Regulations of the SEC relating to offerings of the type contemplated by the Offering. The Units will be offered and sold pursuant to the registration exemptions provided by Regulation D and Section 4(a)(2) of the Act as a transaction not involving a public offering and the requirements of any other applicable state securities laws and the respective Regulations thereunder in those United States jurisdictions in which the Placement Agent notifies the Issuer that the Units are being offered for sale. To the extent that Units are offered in jurisdictions outside of the United States, such Units will be offered and sold in compliance, in all material respects, with all applicable laws that govern private securities offerings in the applicable country and in all local jurisdictions in which such Units are offered. None of the Issuer, its affiliates, or any person acting on its or their behalf (other than the Placement Agent, its affiliates or any person acting on its behalf, in respect of which no representation is made) has taken nor will it take any action that conflicts with the conditions and requirements of, or that would make unavailable with respect to the Offering, the exemption(s) from registration available pursuant to Rule 506(b) of Regulation D or Section 4(a)(2) of the Act, or knows of any reason why any such exemption would be otherwise unavailable to it. None of the Issuer, its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failing to comply with Section 503 of Regulation D.

(b) The Issuer is duly incorporated and validly existing in good standing under the laws of the jurisdiction in which it was formed, and has the requisite power and authority to own its properties and to carry on its business as described in the Memorandum. The Issuer is not a participant in any joint venture, partnership or similar arrangement and, except for Merger Sub, does not directly or indirectly own any subsidiaries or otherwise own or hold capital stock or an equity or similar interest in any entity. The Issuer is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have an Issuer Material Adverse Effect. As used in this Agreement, "**Issuer Material Adverse Effect"** means any material adverse effect on the business, properties, assets, operations, results of operations or condition (financial or otherwise) of the Issuer, taken as a whole, or on the transactions contemplated hereby and the other Issuer Transaction Documents (as defined below) or by the agreements and instruments to be entered into in connection herewith or therewith, or on the authority or ability of the Issuer to perform its obligations under the Issuer Transaction Documents (as defined below).

(c) As to the Issuer only, the Memorandum does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading: provided, however, the foregoing does not apply to any statements or omissions made (i) by the Operating Company, or (ii) solely in reliance on and in conformity with written information furnished to the Issuer by the Operating Company or the Placement Agent specifically for use in the preparation thereof. To the knowledge of the Issuer, none of the statements, documents, certificates or other items made, prepared or supplied by the Issuer with respect to the transactions contemplated hereby contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading. There is no fact which the Issuer has not disclosed in the Memorandum and of which the Issuer is aware that could reasonably be expected to have an Issuer Material Adverse Effect. Notwithstanding anything to the contrary herein, the Issuer makes no representation or warranty with respect to any estimates, projections and other forecasts and plans (including the reasonableness of the assumptions underlying such estimates, projections and other forecasts and plans) that may have been delivered to the Placement Agent or its representatives by the Issuer, except that such estimates, projections and other forecasts and plans have been prepared in good faith on the basis of assumptions stated therein, which assumptions were believed to be reasonable at the time of such preparation.

(d) The Issuer has all requisite corporate power and authority to conduct its business as presently conducted and as proposed to be conducted (as described in the Memorandum), to enter into and perform its obligations under this Agreement, the Subscription Agreement, the Registration Rights Agreement substantially in the form of Annex B to the Memorandum (the "**Registration Rights Agreement**"), the Escrow Agreement (as hereinafter defined) and the other agreements contemplated hereby (this Agreement, the Subscription Agreement, the Registration Rights Agreement, the Escrow Agreement and the other agreements contemplated hereby that the Issuer is executing and delivering hereunder are collectively referred to herein as the "**Issuer Transaction Documents** ") and subject to necessary Board and stockholder approvals, to issue, sell and deliver the Units, the shares of Common Stock and Investor Warrants comprising the Units, the Agent Warrants (as defined in Section 3(b)) and the Agent Warrant Shares (as defined in Section 3(b)). Prior to the First Closing, each of the Issuer Transaction Documents (other than this Agreement, which has already been authorized) will have been duly authorized. This Agreement has been duly authorized, executed and delivered and constitutes, and each of the other Issuer Transaction Documents, upon due execution and delivery, will constitute, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect related to laws affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and except that no representation is made herein regarding the enforceability of the Issuer's obligations to provide indemnification and contribution remedies under the securities laws and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(e) None of the execution and delivery of, or performance by the Issuer under this Agreement or any of the other Issuer Transaction Documents or the consummation of the transactions herein or therein contemplated conflicts with or violates, or will result in the creation or imposition of, any lien, charge or other encumbrance upon any of the assets of the Issuer under any agreement or other instrument to which the Issuer is a party or by which the Issuer or its assets may be bound, or any term of the certificate of incorporation or by-laws of the Issuer, or any license, permit, judgment, decree, order, statute, rule or regulation applicable to the Issuer or any of its assets, except in the case of a conflict, violation, lien, charge or other encumbrance (except with respect to the Issuer's certificate of incorporation or by-laws) which would not, or could not reasonably be expected to, have an Issuer Material Adverse Effect.

(f) As of the date of the First Closing, the Issuer will have the authorized and outstanding capital stock as set forth under the heading "Capitalization" in the Memorandum. All outstanding shares of capital stock of the Issuer are duly authorized, validly issued and outstanding, fully paid and nonassessable. Except as described in the Memorandum, as of the date of the First Closing: (i) there will be no outstanding options, stock subscription agreements, warrants or other rights permitting or requiring the Issuer or others to purchase or acquire any shares of capital stock or other equity securities of the Issuer or to pay any dividend or make any other distribution in respect thereof; (ii) there will be no securities issued or outstanding which are convertible into or exchangeable for any of the foregoing and there are no contracts, commitments or understandings, whether or not in writing, to issue or grant any such option, warrant, right or convertible or exchangeable security; (iii) no shares of stock or other securities of the Issuer are reserved for issuance for any purpose; (iv) there will be no voting trusts or other contracts, commitments, understandings, arrangements or restrictions of any kind with respect to the ownership, voting or transfer of shares of stock or other securities of the Issuer, including, without limitation, any preemptive rights, rights of first refusal, proxies or similar rights, and (v) no person holds a right to require the Issuer to register any securities of the Issuer under the Act or to participate in any such registration. As of the date of the First Closing, the issued and outstanding shares of capital stock of the Issuer will conform in all material respects to all statements in relation thereto contained in the Memorandum and the Memorandum describes all material terms and conditions thereof. All issuances by the Issuer of its securities prior to the Offering have been, at the times of their issuance, exempt from registration under the Act and any applicable state securities laws.

(g) Immediately prior to the First Closing, the shares of Common Stock and Investor Warrants comprising the Units, the Agent Warrants and the Agent Warrant Shares will have been duly authorized and, when issued and delivered against payment therefor as provided in the Issuer Transaction Documents, will be validly issued, fully paid and nonassessable. No holder of any of the shares of Common Stock and Investor Warrants comprising the Units, the Agent Warrants or the Agent Warrant Shares will be subject to personal liability solely by reason of being such a holder, and except as described in the Memorandum, none of the shares of Common Stock underlying the Investor Warrants the Agent Warrants or the Agent Warrant Shares are subject to preemptive or similar rights of any stockholder or security holder of the Issuer or an adjustment under the anti-dilution or exercise rights of any holders of any outstanding shares of capital stock, options, warrants or other rights to acquire any securities of the Issuer. Immediately prior to the First Closing, a sufficient number of authorized but unissued shares of Common Stock will have been reserved for issuance upon the exercise of the Investor Warrants and the Agent Warrants.

(h) Except (i) as set forth in the Memorandum, (ii) as set forth on Section 2A(H) of the Schedule of Exceptions, (iii) as may be required for under state securities or Blue Sky laws, (iv) for filings that may be required to be made with the SEC, or (v) as will have been made on or prior to the First Closing, no consent, authorization or filing of or with any court or governmental authority is required in connection with the issuance or the consummation of the transactions contemplated herein or in the other Issuer Transaction Documents.

(i) Subsequent to the respective dates as of which information is given in the Memorandum, the Issuer has operated its business in the ordinary course and, except as may otherwise be set forth in the Memorandum, there has been no: (i) Issuer Material Adverse Effect; (ii) transaction otherwise than in the ordinary course of business consistent with past practice; (iii) issuance of any securities (debt or equity) or any rights to acquire any such securities other than pursuant to equity incentive plans approved by its Board of Directors; (iv) damage, loss or destruction, whether or not covered by insurance, with respect to any asset or property of the Issuer; or (v) agreement to permit any of the foregoing.

(j) Except as set forth in the Memorandum, there are no actions, suits, claims, hearings or proceedings pending before any court or governmental authority or, to the knowledge of the Issuer, threatened, against the Issuer, or involving its assets or any of its officers or directors (in their capacity as such) which, if determined adversely to the Issuer or such officer or director, could reasonably be expected to have an Issuer Material Adverse Effect or adversely affect the transactions contemplated by this Agreement or the Merger Agreement or the enforceability thereof.

(k) The Issuer is not obligated to pay, and has not obligated the Placement Agent to pay, a finder's or origination fee in connection with the Offering (other than to the Placement Agent), and hereby agrees to indemnify the Placement Agent from any such claim made by any other person, as more fully set forth in Section 8 hereof. The Issuer has not offered for sale or solicited offers to purchase the Units except for negotiations with the Placement Agent. Except as set forth in the Memorandum, no other person has any right to participate in any offer, sale or distribution of the Issuer's securities to which the Placement Agent's rights, described herein, shall apply.

(l) Neither the sale of the Units by the Issuer nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, the Issuer is not (a) a person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (b) a person who engages in any dealings or transactions, or be otherwise associated, with any such person. The Issuer and its subsidiaries, if any, are in compliance, in all material respects, with the USA Patriot Act of 2001 (signed into law October 26, 2001).

(m) Until the earlier of (i) the Termination Date and (ii) the Final Closing, the Issuer will not issue any press release, grant any interview, or otherwise communicate with the media in any manner whatsoever with respect to the Offering without the Placement Agent's prior consent.

(n) Following the First Closing, the Issuer will coordinate with Operating Company to establish internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(o) Following the First Closing, the Issuer will coordinate with the Operating Company to establish "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act)), which (i) are designed to ensure that material information relating to the Issuer is made known to the Issuer's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act would be prepared, and (ii) such disclosure controls and procedures are effective to perform the functions for which they were established. The Issuer is not aware of any fraud, whether or not material, that involves management or other employees who have a role in the Issuer's internal controls.

(p) Neither the Issuer nor any Issuer Related Persons (as defined below) are subject to any Disqualification Event. Issuer has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Memorandum contains a true and complete description of the matters required to be disclosed with respect to the Issuer and Issuer Related Persons pursuant to the disclosure requirements of Rule 506(e) of Regulation D, to the extent applicable. As used herein, "**Issuer Related Persons** " means any predecessor of the Issuer, any affiliated issuer, any director, executive officer, other officer of Issuer participating in the Offering, any general partner or managing member of the Issuer, any beneficial owner of 20% or more of the Issuer's outstanding voting equity securities, calculated on the basis of voting power, and any "promoter" (as defined in Rule 405 under the Act) connected with the Issuer in any capacity. The Issuer agrees to promptly notify the Placement Agent in writing of (i) any Disqualification Event relating to any Issuer Related Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Related Person.

(q) [RESERVED]

(r) Full Disclosure. No representation or warranty contained in Section 2A of this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein not misleading in the context of such representations and warranties.

2B. Representations, Warranties and Covenants of Placement Agent. The Placement Agent represents and warrants to each of the Operating Company and the Issuer that the following representations and warranties are true and correct as of the date of this Agreement:

(a) AGP is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has all requisite corporate power and authority to enter into this Agreement and to carry out and perform its obligations under the terms of this Agreement.

(b) Aegis is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all requisite corporate power and authority to enter into this Agreement and to carry out and perform its obligations under the terms of this Agreement.

(c) This Agreement has been duly authorized, executed and delivered by the Placement Agent, and upon due execution and delivery by each of the Operating Company and the Issuer, this Agreement will be a valid and binding agreement of the Placement Agent enforceable against it in accordance with its terms, except as may be limited by principles of public policy and, as to enforceability, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditor's rights from time to time in effect and subject to general equity principles.

(d) None of the execution and delivery of or performance by the Placement Agent under this Agreement or any other agreement or document entered into by the Placement Agent in connection herewith or the consummation of the transactions herein or therein contemplated conflicts with or violates, any agreement or other instrument to which the Placement Agent is a party or by which its assets may be bound, or any term of its certificate of incorporation or by-laws, or any license, permit, judgment, decree, order, statute, rule or regulation applicable to Placement Agent or any of its assets, except in each case as would not have a material adverse effect on the transactions contemplated hereby.

(e) Each Placement Agent is a member in good standing of FINRA and is registered as a broker-dealer under the Exchange Act, and under the securities acts of each state into which it is making offers or sales of the Units. Each Placement Agent is in compliance with all applicable rules and regulations of the SEC and FINRA, except to the extent that such noncompliance would not have a material adverse effect on the transactions contemplated hereby. None of the Placement Agent or its affiliates, or any person acting on behalf of the foregoing (other than the Issuer, the Operating Company, or their affiliates or any person acting on its or their behalf, in respect of which no representation is made) has taken nor will it take any action that conflicts with the conditions and requirements of, or that would make unavailable with respect to the Offering, the exemption(s) from registration available pursuant to Rule 506 of Regulation D or Section 4(a)(2) of the Act, or knows of any reason why any such exemption would be otherwise unavailable to it.

(f) Except as set forth below, neither Placement Agent nor any Placement Agent Related Persons (as defined below) are subject to any Disqualification Event. Placement Agent has exercised reasonable care to determine whether any Placement Agent Covered Person is subject to a Disqualification Event. The Memorandum contains a true and complete description of the matters required to be disclosed with respect to Placement Agent and Placement Agent Related Persons pursuant to the disclosure requirements of Rule 506(e) of Regulation D, to the extent applicable. As used herein, "Placement Agent Related Persons" means any director, general partner, managing member, executive officer, or other officer of Placement Agent participating in the Offering. Placement Agent agrees to promptly notify the Issuer and the Operating Company in writing of (i) any Disqualification Event relating to any Placement Agent Related Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Placement Agent Related Person. On March 28, 2018, Aegis entered into an Order of Settlement (the "**Order**") with the SEC, which would constitute a Disqualification Event under Rule 506(d) of Regulation D. Aegis has been granted a waiver by the SEC from any disqualification that would arise as to Aegis under Rule 506 of Regulation D by reason of the entry of the Order on the terms set forth in a letter from the SEC dated March 28, 2018.

3. Placement Agent Compensation.

(a) In connection with the Offering, the Issuer will pay at each Closing (as defined in Section 4(e) below) a cash fee (the "**Agent Cash Fee**") to the Placement Agent equal to 7% of the gross proceeds from the sale of the Units consummated at such Closing (subject to reduction at the sole discretion of the Placement Agent). For clarification purposes only, the Placement Agent shall not be entitled to the Agent Compensation, or any other compensation in respect of, the Concurrent Offering.

(b) As additional compensation, at or within ten (10) business days following the Final Closing, the Issuer will issue to the Placement Agent (or its designee(s)) for nominal consideration), warrants (the "**Agent Warrants**"). The Agent Warrants shall be exercisable for the same time period as the Investor Warrants and for that number of shares of Common Stock equaling 7% of the number of shares of Common Stock (i) included in the Units at an exercise price of $2.50 per share and (ii) issuable upon exercise of the Investor Warrants, at an exercise price of $5.00 per share. The Agent's Warrants shall provide for a cashless exercise right and shall not be callable by the Company. The Agent Warrants shall be allocated and disbursed between AGP, Aegis and their respective designees per the written instructions of the Placement Agent (the "**Agent Warrant Instruction Letter**") to be delivered to the Company promptly following the Final Closing. The Company shall deliver such Agent Warrants to the Placement Agent within ten (10) business days following the delivery of the Agent Warrant Instruction Letter. The Agent Cash Fee and Agent Warrants are sometimes referred to herein collectively as "**Agent Compensation.**"

(c) At each Closing, the Issuer will pay Placement Agent a non-accountable expense allowance equal to 3% of the aggregate purchase price of the Units sold at such closing (the **"Agent Expense Allowance"**). The Placement Agent will not bear any of the Issuer's or the Operating Company's legal, accounting, printing or other expenses in connection with any transaction contemplated hereby. The Placement Agent will pay for its own expenses, including its legal fees and expenses, from the Agent Expense Allowance.

(d) The Company shall also pay and issue to the Placement Agent the Agent Compensation calculated according to the percentages set forth in Sections 3(a) and (b) of this Agreement, if any person or entity contacted by the Placement Agent and provided with a Memorandum during the Offering Period (other than existing shareholders, officers and directors of the Operating Company) and with whom the Placement Agent has discussions regarding a potential investment in the Offering, invests in the Company (other than through open market purchases or securities purchased in any underwritten public offering) and irrespective of whether such potential investor purchased Units in the Offering (the "**Tail Investors**") at any time prior to the earlier of the date that is twelve (12) months after the Termination Date or the Final Closing ("**Tail Period**"), whichever is applicable. The names of Tail Investors shall be provided in writing by the Placement Agent to the Company upon written request within 10 days following the Termination Date or the Final Closing, as the case may be (the "**Tail Investor List**"). The Company acknowledges and agrees that the Tail Investor List is proprietary to the Placement Agent, shall be maintained in strict confidence by the Company and those persons/entities on such list shall not be contacted by the Company without the Placement Agent's prior written consent; *provided*, *however*, that such restrictions shall not apply to ordinary course stockholder communications by the Company to its stockholders. In the event AGP exercises its ROFR (as defined below) with respect to an offering pursuant to the provisions of Section 3(e), the specific compensation terms to the Placement Agent that are negotiated in such offering shall govern and the provisions of this Section 3(d) will not be operative with respect to such offering.

(e) Effective upon the sale of the Minimum Amount, the Company hereby grants to AGP, for a period of twelve (12) months following the Final Closing (the "**ROFR Term** "), the irrevocable preferential right of first refusal ("**ROFR**") solely to act as lead placement agent or underwriter for any proposed private placement or public offering of the Company's securities (equity or debt, but excluding any institutional bank debt and any securities sold directly to investors without the assistance of a registered broker-dealer). In that regard, it is understood that if the Company determines to pursue a financing during the ROFR Term in which a third party placement agent or underwriter will be engaged, the Company shall promptly provide AGP with a written notice of such intention and statement of terms (the "**Notice**"). If, within ten (10) business days of the receipt of the Notice, AGP does not accept in writing such offer to act as lead placement agent or underwriter with respect to such offering upon the terms proposed, then the Company shall be entitled to engage a placement agent or underwriter other than AGP; provided that the terms of the compensation to be paid to such other placement agent or underwriter are not materially less favorable to the Company than the terms included in the Notice. AGP's failure to exercise these preferential rights in any situation shall not affect its preferential rights to any subsequent offering during the ROFR Term. Each of Operating Company and the Issuer represent and warrant that no other person has any right to participate in any offer, sale or distribution of Operating Company's or the Issuer's securities to which AGP's preferential rights shall apply.

(f) In the event the First Closing is consummated, the Issuer agrees that it shall take, and shall cause its board of directors (the "**Board of Directors**") to take, all action within its powers to nominate (i) one (1) representative designated by the Placement Agent (the "**PA Director**") as a member of the Board of Directors of the Issuer and (ii) one designee (the "**PA Observer**") to attend all meetings of the Board of Directors in a nonvoting observer capacity. In this regard, the Company shall give the PA Director and PA Observer copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that the PA Director and PA Observer shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude the PA Observer from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel. In addition, as a Board of Directors designee and observer, PA Director and PA Observer shall be entitled to receive reimbursement for all reasonable costs incurred in attending such meetings, including but not limited to, meals, lodging and transportation. The PA Director shall be entitled to (i) the same indemnification protections afforded to other directors of the Issuer, including the Issuer's maintenance of an insurance policy providing liability insurance for directors and officers of the Issuer, (ii) cash compensation commensurate to what is provided to other board members of Issuer and (iii) equity compensation in amounts to be determined based on the pool that is made available to non-employee directors of the Company. This provision shall terminate three years from the date of the First Closing.

(g) In the event the Issuer elects to redeem the Investor Warrants pursuant to the provisions thereto, the Placement Agent will be engaged as exclusive warrant solicitation agent at least 20 calendar days prior to the time notice of redemption is delivered to holders of Investor Warrants. The engagement letter will provide for the payment to the Placement Agent of a cash fee of 5% of the net cash proceeds from the exercise of each Investor Warrant exercised by an Investor Warrant holder that has been solicited by the Placement Agent following a redemption notice, together with a mutually agreeable expense reimbursement cap.

4. Subscription and Closing Procedures.

(a) The Issuer shall cause to be delivered to the Placement Agent copies of the Memorandum and each of the Operating Company and the Issuer have consented, and hereby consent, to the use of such copies for the purposes permitted by the Act and applicable securities laws and in accordance with the terms and conditions of this Agreement, and hereby each authorize the Placement Agent and its agents and employees to use the Memorandum in connection with the offering of the Units until the earlier of (i) the Termination Date or (ii) the Final Closing, and no person or entity is or will be authorized to give any information or make any representations other than those contained in the Memorandum or to use any offering materials other than those contained in the Memorandum in connection with the sale of the Units.

(b) During the Offering Period, each of the Operating Company and the Issuer shall make available to the Placement Agent and its representatives such information as may be reasonably requested in making a reasonable investigation of the Operating Company and the Issuer and their respective affairs and shall provide access to such employees during normal business hours as shall be reasonably requested by the Placement Agent.

(c) Each prospective purchaser will be required to complete and execute an original omnibus signature page, for each of the Subscription Agreement and the Registration Rights Agreement (together, the "**Subscription Documents**"), which will be forwarded or delivered to the Placement Agent at the Placement Agent's offices at the address set forth in Section 12 hereof, together with the subscriber's wire transfer in the full amount of the purchase price for the number of Units desired to be purchased to the Escrow Account (defined below), subject to the Escrow Agent's (as defined below) right to accept a check in lieu of a wire transfer.

(d) All funds for subscriptions received by the Placement Agent from the Offering (not otherwise wired directly to the Escrow Agent), if any, will be promptly forwarded by the Placement Agent and deposited into a non-interest bearing escrow account (the "**Escrow Account**") established for such purpose with Signature Bank (the "**Escrow Agent**") . All such funds for subscriptions will be held in the Escrow Account pursuant to the terms of an escrow agreement among the Issuer**,** the Placement Agent and the Escrow Agent (the "**Escrow Agreement**"). The Issuer will pay all fees related to the establishment and maintenance of the Escrow Account. The Issuer will either accept or reject, for any or no reason, the Subscription Documents in a timely fashion and at each Closing, the Issuer and the Operating Company will countersign the Subscription Documents and provide duplicate copies of such documents to the Placement Agent for distribution to the subscribers. The Placement Agent on the Issuer's behalf, will promptly return to subscribers incomplete, improperly completed, improperly executed and rejected subscriptions.

(e) If subscriptions for at least the Minimum Amount have been accepted prior to the Termination Date, the funds therefor have been collected by the Escrow Agent and all of the conditions set forth elsewhere in this Agreement are fulfilled, the funds therefor have been collected by the Escrow Agent and all of the conditions set forth elsewhere in this Agreement are fulfilled, the First Closing shall be held promptly with respect to Units sold. Thereafter remaining Units will continue to be offered and sold until the Termination Date and additional closings (each a "**Closing**") may from time to time be conducted at times mutually agreed to by the Placement Agent and the Issuer with respect to additional Units sold, with the final closing ("**Final Closing**") to occur within ten (10) days after the earlier of the Termination Date and the date on which the all Units has been fully subscribed for. Delivery of payment for the accepted subscriptions for Units from funds held in the Escrow Account will be made at each Closing against delivery of the Shares and Investor Warrants by the Issuer. The Issuer shall deliver the original Shares and Investor Warrants to investors per instructions to be provided by Placement Agent within ten (10) business days following each Closing. The date of any Closing hereunder is sometimes referred to herein as a "**Closing Date**").

(f) If Subscription Documents for at least the Minimum Amount have not been received and accepted by the Issuer on or before the Termination Date for any reason, the Offering will be terminated, no Units will be sold, and the Escrow Agent will, at the request of the Placement Agent, cause all monies received from subscribers for the Units to be promptly returned to such subscribers without interest, penalty, expense or deduction.

5. Further Covenants. The Operating Company and the Issuer, jointly and severally, hereby covenant and agree that:

(a) Except upon prior written notice to the Placement Agent, neither the Operating Company nor the Issuer shall, at any time prior to the Final Closing, knowingly take any action which would cause any of the representations and warranties made by it in this Agreement not to be complete and correct in all material respects on and as of each Closing Date with the same force and effect as if such representations and warranties had been made on and as of each such date (except to the extent any representation or warranty relates to an earlier date).

(b) If, at any time prior to the Final Closing, any event shall occur that causes (i) an Operating Company Group Material Adverse Effect or (ii) an Issuer Material Adverse Effect Material Adverse Effect, which as a result it becomes necessary to amend or supplement the Memorandum so that the representations and warranties herein remain true and correct in all material respects, or in case it shall be necessary to amend or supplement the Memorandum to comply with Regulation D or any other applicable securities laws or regulations, either the Operating Company, in the case of an Operating Company Group Material Adverse Effect, or the Issuer, in the case of an Issuer Company Material Adverse Effect, will promptly notify the Placement Agent and shall, at its sole cost, prepare and furnish to the Placement Agent copies of appropriate amendments and/or supplements in such quantities as the Placement Agent may reasonably request for delivery by the Placement Agent to potential subscribers. Neither the Operating Company nor the Issuer will at any time before the Final Closing prepare or use any amendment or supplement to the Memorandum of which the Placement Agent will not previously have been advised and furnished with a copy, or which is not in compliance in all material respects with the Act and other applicable securities laws. As soon as the Operating Company or the Issuer is advised thereof, the Operating Company or the Issuer, as applicable, will advise the Placement Agent and its counsel, and confirm the advice in writing, of any order preventing or suspending the use of the Memorandum, or the suspension of any exemption for such qualification or registration thereof for offering in any jurisdiction, or of the institution or threatened institution of any proceedings for any of such purposes, and the Operating Company and the Issuer will use their reasonable best efforts to prevent the issuance of any such order and, if issued, to obtain as soon as reasonably possible the lifting thereof.

(c) The Operating Company and the Issuer shall comply with the Act, the Exchange Act and the rules and regulations thereunder, all applicable state securities laws and the rules and regulations thereunder in the states in which the Issuer's Blue Sky counsel has advised the Placement Agent, the Operating Company and/or the Issuer that the Units are qualified or registered for sale or exempt from such qualification or registration, so as to permit the continuance of the sales of the Units, and will file or cause to be filed with the SEC, and shall promptly thereafter forward or cause to be forwarded to the Placement Agent, any and all reports on Form D as are required.

(d) The Issuer shall use its best efforts to qualify the Units for sale under the securities laws of such jurisdictions in the United States as may be mutually agreed to by the Issuer and the Placement Agent, and the Issuer will make or cause to be made such applications and furnish information as may be required for such purposes, provided that the Issuer will not be required to qualify as a foreign corporation in any jurisdiction or execute a general consent to service of process. The Issuer will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualifications in effect for so long a period as the Placement Agent may reasonably request with respect to the Offering.

(e) The Issuer shall place a legend on the certificates representing the Shares, the Investor Warrants and the Agent Warrants that the securities evidenced thereby have not been registered under the Act or applicable state securities laws, setting forth or referring to the applicable restrictions on transferability and sale of such securities under the Act and applicable state laws.

(f) The Issuer shall apply the net proceeds from the sale of the Units for the purposes substantially as described in the Memorandum under the caption "Use of Proceeds." Except as set forth in the Memorandum, the Issuer shall not use any of the net proceeds of the Offering to repay indebtedness to officers, directors or stockholders of the Issuer without the prior written consent of the Placement Agent.

(g) During the Offering Period, the Operating Company and the Issuer shall afford each prospective purchaser of Units the opportunity to ask questions of and receive answers from an officer of the Operating Company or the Issuer, as applicable, concerning the terms and conditions of the Offering and the opportunity to obtain such other additional information necessary to verify the accuracy of the Memorandum to the extent the Operating Company or the Issuer possesses such information or can acquire it without unreasonable expense.

(h) Except upon obtaining the prior written consent of the Placement Agent, which consent shall not be unreasonably withheld, the Operating Company and the Issuer shall not, at any time prior to the earlier of the Final Closing or the Termination Date, except as contemplated by the Memorandum or with respect to the Concurrent Offering (i) engage in or commit to engage in any transaction outside the ordinary course of business as described in the Memorandum; (ii) issue, agree to issue or set aside for issuance any securities (debt or equity) or any rights to acquire any such securities; *provided* that (a) the Issuer shall be permitted to issue stock options, restricted stock and/or restricted stock units, including such as are convertible into, or exercisable for, shares of Common Stock to officers, directors and employees of the Issuer as described in the Memorandum, (b) the Issuer may adopt an equity incentive plan (the "**Equity Incentive Plan**") providing for the grant of awards to qualified participants of up to 12.5% of its fully-diluted capitalization after final closing of the Offering, (c) after the Final Closing or Termination Date, the Issuer may file a registration statement on Form S-8 in connection with the registration of Common Stock issuable under the Equity Incentive Plan, (d) the Issuer may conduct and direct the issuance of equity of the Operating Company Group in connection with the potential acquisition of BWGS, LLC; (iii) incur, outside the ordinary course of business, any material indebtedness, (iv) dispose of any material assets, (v) make any acquisition or (vi) change its business or operations.

(i) The Operating Company or the Issuer, as applicable, shall pay all reasonable expenses incurred in connection with the preparation and printing of all necessary offering documents and instruments related to the Offering and the issuance of the Shares, Investor Warrants and the Agent Warrants and will also pay the Operating Company's and Issuer's own expenses for accounting fees, legal fees and other costs involved with the Offering. The Issuer will provide at its own expense such quantities of the Memorandum and other documents and instruments relating to the Offering as the Placement Agent may reasonably request. All Blue Sky filings related to this Offering shall be prepared by the Operating Company's counsel, on behalf of the Issuer, at the Issuer's expense, with copies of all filings to be promptly forwarded to the Placement Agent. Further, as promptly as practicable after the Final Closing, the Issuer shall prepare, at its own expense, velobound "closing binders" relating to the Offering and will distribute one such binder to each of the Placement Agent and its counsel.

(j) Until the earlier of (i) the Termination Date and (ii) the Final Closing, neither the Operating Company, the Issuer nor any person or entity acting on such person's behalf will negotiate with any other placement agent or underwriter with respect to a private offering of such entity's debt or equity securities. Neither the Operating Company nor the Issuer nor anyone acting on the such person's behalf will, until the earlier of the Termination Date or the Final Closing, without the prior written consent of the Placement Agent, offer for sale to, or solicit offers to subscribe for any securities of the Issuer from, or otherwise approach or negotiate in respect thereof with, any other person.

(k) Until the earlier of (i) the Termination Date and (ii) the Final Closing (as defined below), no member of the Operating Company Group will issue any press release, grant any interview, or otherwise communicate with the media in any manner whatsoever with respect to the Offering without the Placement Agent's prior consent.

5.A. Placement Agent Further Covenants.

The Placement Agent shall not, at any time during the Offering Period, knowingly take any action which would cause any of the representations and warranties made by it in this Agreement not to be complete and correct in all material respects on and as of each Closing Date with the same force and effect as if such representations and warranties had been made on and as of each such date (except to the extent any representation or warranty relates to an earlier date). Offers and sales of the Units by the Placement Agent will be made in accordance with this Agreement and in compliance with the provisions of Regulation D, Regulation S, if applicable, and the Securities Act.

6. Conditions of Placement Agent's Obligations. The obligations of the Placement Agent hereunder to effect a Closing are subject to the fulfillment, at or before each Closing, of the following additional conditions:

(a) Each of the representations and warranties made by the Operating Company and the Issuer qualified as to materiality shall be true and correct at all times prior to and on each Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct as of such earlier date, and the representations and warranties made by the Issuer and the Operating Company not qualified as to materiality shall be true and correct in all material respects at all times prior to and on each Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

(b) Each of the Operating Company and the Issuer (and the Company following the First Closing) shall have performed and complied in all material respects with all agreements, covenants and conditions required to be performed and complied with by each of them at or before the Closing.

(c) The Memorandum, as of its date, did not, and as of the date of any amendment or supplement thereto will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Operating Company and the Issuer shall have obtained all consents, waivers and approvals required to be obtained by them in connection with the consummation of the transactions contemplated hereby.

(e) No order suspending the use of the Memorandum or enjoining the Offering or sale of the Units shall have been issued, and no proceedings for that purpose or a similar purpose shall have been initiated or pending, or, to the knowledge of either the Operating Company or the Issuer, threatened.

(f) At the First Closing, the Placement Agent shall have received a certificate of the Chief Executive Officer of each of the Operating Company and the Issuer (the Company only for subsequent Closings), dated as of the date of the First Closing, certifying, as to the fulfillment of the conditions set forth in subparagraphs (a), (b), (c) and (d) above.

(g) Each of the Operating Company and the Issuer shall have delivered to the Placement Agent: (i) a certified charter document and good standing certificate (Operating Company, Issuer, Hydrofarm Holdings, LLC and Hydrofarm, LLC for good standing certificates), each dated as of a date within three (3) days prior to the First Closing from the secretary of state of its jurisdiction of incorporation; (ii) resolutions of the board of directors of each of the Operating Company and the Issuer approving this Agreement and the transactions and agreements contemplated by this Agreement, the Merger Agreement and the Memorandum, certified by the Chief Executive Officer of the Operating Company and the Chief Executive Officer of the Issuer; and (iii) resolutions of the board of directors and shareholders of each of the Operating Company, the Issuer and Merger Sub, as applicable, approving the Merger Agreement and the transactions and agreements contemplated by the Merger Agreement

(h) At each Closing, the Company shall pay and/or issue to the Placement Agent the Agent Cash Fee and Agent Expense Allowance earned in such Closing. Agent Warrants shall be delivered to the Placement Agent in accordance with Section 3(b) hereto.

(i) At the First Closing, (i) the Operating Company shall deliver to the Placement Agent a signed opinion of Perkins Coie LLP, counsel to the Operating Company, dated as of the Closing Date, substantially in the form annexed hereto as Exhibit A-1 and (ii) the Issuer shall deliver to the Placement Agent a signed opinion of N.I. Jacobs and Associates, counsel to the Issuer, dated as of the Closing Date, substantially in the form annexed hereto as Exhibit A-2. At all subsequent Closings, the Company shall deliver to the Placement Agent a signed opinion of Perkins Coie LLP, counsel to the Company following the First Closing, dated as of the Closing Date, in form and substance reasonably satisfactory to the Placement Agent.

(j) With respect to the First Closing only, the Merger per the terms of the Merger Agreement and the Concurrent Offering shall have been consummated.

(k) Lock -up agreements with all of the Company's officers, directors and stockholders owning in the aggregate 5% or more of the capital stock of the Company measured at the time of the First Closing, in form and substance reasonably acceptable to the Placement Agent and consistent with the terms set forth in the Memorandum, shall have been executed and delivered to the Placement Agent.

(l) The Operating Company shall have entered into amendments and/or new definitive agreements with respect to its asset based revolving credit facility with Bank of America, N.A., dated May 12, 2017, and as amended on November 7, 2016 and May 18, 2018, and its term loan agreement with Brightwood Loan Services, LLC, dated November 8, 2017, and as amended on May 18, 2018, all on terms reasonably acceptable to the Operating Company, the Issuer and the Placement Agent.

(m) The Issuer, Hydrofarm and the Merger Sub shall have obtained all necessary approvals and consents as may be required to consummate the Merger.

(n) Immediately prior to the First Closing, and in conjunction with the consummation of the Merger, the shareholders of Hydrofarm shall terminate their existing Shareholders Agreement dated as of May 10, 2017 and the Management Agreement of Hydrofarm Holdings LLC dated May 12, 2017 will be terminated.

(o) Within five (5) business days prior to the First Closing, the Placement Agent shall have received a "cold comfort letter" from MNP LLP, the Operating Company Group's independent public accountants (the "**Auditor**"), containing statements and information of the type customarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in the Memorandum addressed to the Placement Agent and in form and substance reasonably satisfactory to the Placement Agent and the Auditor; provided, however that the Auditor shall not be required to provide comfort with respect to the unaudited financial statements for the six month period ended June 30, 2018 ("**Stub Period FS**") or references to such Stub Period FS that appear in the Memorandum (such statements shall be covered internally by the Chief Financial officer of the Hydrofarm). As of each Closing Date, the Placement Agent shall have received from the Auditor a letter, dated as of such date to the effect that the Auditor reaffirms the statements made in the letter furnished pursuant to the prior sentence, except that the specified date referred to therein shall be a date not more than three (3) business days prior to such Closing Date and comfort shall be provided by the Auditor on the Stub Period FS and references to such Stub Period FS that appear in the Memorandum in the first bring down letter that follows its review of the Stub Period FS and in any event no later than the bring down letter that is delivered in connection with the Final Closing.

(p) All proceedings taken at or prior to any Closing in connection with the authorization, issuance and sale of the Shares and Investor Warrants will be reasonably satisfactory in form and substance to the Placement Agent and its counsel, and such counsel shall have been furnished with all such documents, certificates and opinions as it may reasonably request upon reasonable prior notice in connection with the transactions contemplated hereby.

7. Conditions of the Issuer's and the Operating Company's Obligations. The obligations of the Issuer and the Operating Company hereunder to effect a Closing are subject to the fulfillment, at or before each Closing, of the following additional conditions or subject to the waiver of such condition or conditions by the Issuer:

(a) Each of the representations and warranties made by the Placement Agent shall be true and correct at all times prior to and on each Closing Date.

(b) The Placement Agent shall have performed and complied in all material respects with all agreements, covenants and conditions required to be performed and complied with by it at or before the Closing.

(c) The Issuer shall have received a certificate of an officer of the Placement Agent, dated as of the Closing Date, certifying, as to the fulfillment of the conditions set forth in subparagraphs (a) and (b) above.

(d) No order suspending the use of the Memorandum or enjoining the Offering or sale of the Units shall have been issued, and no proceedings for that purpose or a similar purpose shall have been initiated or pending, or, to the Issuer's knowledge, be contemplated or threatened.

(e) Lock-up agreements with all stockholders of the Issuer prior to the consummation of the Merger, which include but are not limited to employees and affiliates of the Placement Agent in form and substance reasonably acceptable to the Operating Company and consistent with the terms set forth in the Memorandum, shall have been executed and delivered to the Operating Company and the Issuer.

8. Indemnification.

(a) The Issuer and the Operating Company, severally if the Mergers do not occur, and jointly and severally following the consummation of the Mergers will: (i) indemnify and hold harmless the Placement Agent, its agents and their respective officers, directors, employees, selected dealers and each person, if any, who controls the Placement Agent within the meaning of the Section 15 of the Act or Section 20(a) of the Exchange Act and such selected dealers (each an "**Indemnitee**" or a "**Placement Agent Party**") against, and pay or reimburse each Indemnitee for, any and all losses, claims, damages, liabilities or expenses whatsoever (or actions or proceedings or investigations in respect thereof), joint or several (which will, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees, including appeals), to which any Indemnitee may become subject (x) under the Act or otherwise, in connection with the offer and sale of the Units and (y) as a result of the breach of any representation, warranty or covenant made by any of the Operating Company or the Issuer herein, regardless of whether such losses, claims, damages, liabilities or expenses shall result from any claim by any Indemnitee or by any third party; and (ii) reimburse each Indemnitee for any legal or other expenses reasonably incurred in connection with investigating or defending against any such loss, claim, action, proceeding or investigation; *provided*, *however*, that the Issuer and the Operating Company will not be liable in any such case to the extent that any such claim, damage or liability is finally judicially determined to have resulted primarily from (A) an untrue statement or alleged untrue statement of a material fact made in the Memorandum, or an omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, made solely in reliance upon and in conformity with written information furnished to the Issuer and/or the Operating Company by the Placement Agent specifically for use in the Memorandum, (B) any violations by the Placement Agent of the Act, state securities laws or any rules or regulations of FINRA, which does not result from a violation thereof by the Operating Company, Issuer, or any of their respective affiliates or (C) the Placement Agent's willful misconduct or gross negligence. In addition to the foregoing agreement to indemnify and reimburse, the Issuer and the Operating Company jointly and severally will indemnify and hold harmless each Indemnitee against any and all losses, claims, damages, liabilities or expenses whatsoever (or actions or proceedings or investigations in respect thereof), joint or several (which shall, for all purposes of this Agreement, include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees, including appeals) to which any Indemnitee may become subject insofar as such costs, expenses, losses, claims, damages or liabilities arise out of or are based upon the claim of any person or entity that he or it is entitled to broker's or finder's fees from any Indemnitee in connection with the Offering, other than fees due to the Placement Agent. The foregoing indemnity agreements will be in addition to any liability the Issuer and the Operating Company may otherwise have.

(b) Each of AGP and Aegis will severally and not jointly indemnify and hold harmless the Issuer and the Operating Company, their respective officers, directors, and each person, if any, who controls such entity within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act against, and pay or reimburse any such person for, any and all losses, claims, damages, liabilities or expenses whatsoever (or actions, proceedings or investigations in respect thereof) to which the Issuer or the Operating Company or any such person may become subject under the Act or otherwise, whether such losses, claims, damages, liabilities or expenses shall result from any claim of the Issuer or the Operating Company or any such person who controls the Issuer or the Operating Company within the meaning of the Act or by any third party, but only to the extent that such losses, claims, damages or liabilities results from (i) an untrue statement or alleged untrue statement of a material fact made in the Memorandum, or an omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, made in reliance upon and in conformity with written information furnished to the Issuer and/or the Operating Company by the Placement Agent, specifically for use in the Memorandum or (ii) any violations by the Placement Agent of the Act or state securities laws which does not result from a violation thereof by the Issuer, the Operating Company or any of their respective affiliates. The Placement Agent will reimburse the Issuer or any such person for any legal or other expenses reasonably incurred in connection with investigating or defending against any such loss, claim, damage, liability or action, proceeding or investigation to which such indemnity obligation applies. The foregoing indemnity agreements are in addition to any liability which the Placement Agent may otherwise have. Notwithstanding the foregoing, in no event (except in the event of gross negligence or willful misconduct by the Placement Agent to the extent and only to the extent if found in a final judgment by a court of competent jurisdiction) shall AGP's or Aegis' indemnification obligation hereunder exceed the amount of Agent Cash Fees actually received by AGP or Aegis hereunder.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, claim, proceeding or investigation (the "**Action**"), such indemnified party, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, will notify the indemnifying party of the commencement thereof, but the omission to so notify the indemnifying party will not relieve it from any liability that it may have to any indemnified party under this Section 8 unless the indemnifying party has been substantially prejudiced by such omission. The indemnifying party will be entitled to participate in and, to the extent that it may wish, jointly with any other indemnifying party, to assume the defense thereof subject to the provisions herein stated, with counsel reasonably satisfactory to such indemnified party. The indemnified party will have the right to employ separate counsel in any such Action and to participate in the defense thereof, but the fees and expenses of such counsel will not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the Action with counsel reasonably satisfactory to the indemnified party, *provided*, *however*, that if the indemnified party shall be requested by the indemnifying party to participate in the defense thereof or shall have concluded in good faith and specifically notified the indemnifying party either that there may be specific defenses available to it that are different from or additional to those available to the indemnifying party or that such Action involves or could have a material adverse effect upon it with respect to matters beyond the scope of the indemnity agreements contained in this Agreement, then the counsel representing it, to the extent made necessary by such defenses, shall have the right to direct such defenses of such Action on its behalf and in such case the reasonable fees and expenses of such counsel in connection with any such participation or defenses shall be paid by the indemnifying party. No settlement of any Action against an indemnified party will be made without the consent of the indemnifying party and the indemnified party, which consent shall not be unreasonably withheld, delayed or conditioned in light of all factors of importance to such party, and no indemnifying party shall be liable to indemnify any person for any settlement of any such claim effected without such indemnifying party's consent.

9. Contribution. To provide for just and equitable contribution, if: (i) an indemnified party makes a claim for indemnification pursuant to Section 8 hereof and it is finally determined, by a judgment, order or decree not subject to further appeal that such claims for indemnification may not be enforced, even though this Agreement expressly provides for indemnification in such case; or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act, or otherwise, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Issuer on the one hand and the Placement Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the Placement Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the Offering (before deducting expenses) received by the Issuer bear to the total Agent Cash Fees received by the Placement Agent. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission will be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Issuer or by the Placement Agent, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Issuer and the Placement Agent agree that it would be unjust and inequitable if the respective obligations of the Issuer and the Placement Agent for contribution were determined by *pro rata* allocation of the aggregate losses, liabilities, claims, damages and expenses or by any other method or allocation that does not reflect the equitable considerations referred to in this Section 9. No person guilty of a fraudulent misrepresentation (within the meaning of Section 10(f) of the Act) will be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 9, each person, if any, who controls the Placement Agent within the meaning of the Act will have the same rights to contribution as the Placement Agent, and each person, if any, who controls the Issuer within the meaning of the Act will have the same rights to contribution as the Issuer, subject in each case to the provisions of this Section 9. Anything in this Section 9 to the contrary notwithstanding, no party will be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 9 is intended to supersede, to the extent permitted by law, any right to contribution under the Act, the Exchange Act or otherwise available.

10. Termination.

(a) The Offering may be terminated by AGP on behalf of the Placement Agent at any time prior to the expiration of the Offering Period in the event that: (i) any of the representations, warranties or covenants of the Operating Company or the Issuer contained herein or in the Memorandum shall prove to have been false or misleading in any material respect when actually made; (ii) the Operating Company or the Issuer shall have failed to perform any of their respective material obligations hereunder or under any other Op Co Transaction Document or Issuer Transaction Document, as applicable, or any other transaction document; (iii) there shall occur any event that could reasonably be expected to result in an Operating Company Group Material Adverse Effect; (iv) there shall occur any event that could reasonably be expected to result in an Issuer Material Adverse Effect; or (v) the Placement Agent determines that it is reasonably likely that any of the conditions to Closing set forth herein will not, or cannot, be satisfied. In the event of any such termination by the Placement Agent pursuant to clauses (i), (ii), (iii) or (iv) of this Section 10(a), the Placement Agent shall be entitled to retain any Agent Compensation already earned (if any, at such point in time) and receive from the Operating Company, within five (5) business days of the Termination Date, in addition to other rights and remedies it may have hereunder, at law or otherwise, an amount equal to the sum of $ 250,000 if such termination occurs prior to the First Closing (the "**Termination Amount**") and the provisions of Sections 3(d), 3(e) and 3(f) shall survive in full force and effect. In the event of a termination by the Placement Agent under Section 10(a)(v) that occurs prior to the First Closing (but excluding such a termination that relates to the failure of the Operating Company to obtain the Lender Consents (such event shall be governed by Section 10(d) below), the Placement Agent shall not be entitled to any further compensation pursuant to these termination provisions, except for reimbursement of its out- of-pocket legal expenses incurred in connection with the Offering (not to exceed $75,000) and the provisions of Sections 3(d), 3(e) and 3(f) shall survive in full force and effect.

(b) This Offering may be terminated by either the Operating Company or the Issuer at any time prior to the expiration of the Offering Period (i) in the event that the Placement Agent shall have failed to perform any of its material obligations hereunder, (ii) on account of the Placement Agent's fraud, willful misconduct or gross negligence or (iii) as provided in Section 10(c) . In the event of a termination pursuant to this Section 10(b) (i) or (ii), the Placement Agent shall not be entitled to any further compensation pursuant to these termination provisions.

(c) In the event the Operating Company (or any other member of the Operating Company Group) unilaterally decides for any reason (including, without limitation, the failure to obtain requisite consents from Bank of America, N.A. and Brightwood Loan Services, LLC with respect to the Offering and the Merger (the "**Lender Consents**") to terminate the Offering at any time prior to the First Closing (other than pursuant to Section 10(b) (i) or (ii) above) (the "**Unilateral Termination**"), the Placement Agent shall be entitled to receive the applicable amount described below (the "**Unilateral Termination Amount**") within five (5) business days of the applicable Termination Date:

(i) In the event Operating Company terminates the Offering on or before September 3, 2018 and less than $10 million is in the Escrow Account, the Unilateral Termination Amount shall be $1,000,000.

(ii) In the event Operating Company terminates the Offering on or before September 3, 2018 and $10 million or more is in the Escrow Account, the Unilateral Termination Amount shall be $2,000,000.

(iii) In the event Operating Company terminates the Offering on or before October 17, 2018 and $20 million or more is in the Escrow Account, the Unilateral Termination Amount shall be $4,000,000.

Payment of the amounts referenced in (i), (ii) and (iii) above shall be made to the Placement Agent in common units of Hydrofarm Holdings, LLC based upon an equity value of $115,000,000, or $140,000,000 if Hydrofarm or one of its subsidiaries has, at such Termination Date, consummated its business combination with BWGS, LLC. The parties acknowledge that Placement Agent would suffer substantial harm as a consequence of a termination under such circumstances and the amount of damages is not capable of being accurately quantified. Accordingly, the above payments that would be due to Placement Agent under this provision is intended to be liquidated damages and not a penalty.

(d) If any time after September 3, 2018, the Minimum Offering Amount is deposited into the Escrow Account and the Placement Agent is prepared to conduct a Closing on such amounts, but the Operating Company has not obtained the Lender Consents, the Placement Agent may unilaterally terminate the Offering and shall be entitled to receive the amount of $1,000,000 within five (5) business days of such decision to terminate the Offering. Payment of the amounts referenced in this Section 10(d) shall be made to the Placement Agent in common units of Hydrofarm Holdings, LLC based upon an equity value of $115,000,000, or $140,000,000 if Hydrofarm or one of its subsidiaries has, at such Termination Date, consummated its business combination with BWGS, LLC.

(e) This Offering may be terminated upon mutual agreement of the Issuer, the Operating Company and the Placement Agent, at any time prior to the expiration of the Offering Period. In addition, upon the expiration of the Offering Period, the Offering shall terminate without any further action of the parties hereto. If the Offering is terminated pursuant to this Section 10(e), then in cases in which no Closing had been theretofore consummated, unless otherwise agreed to by the parties hereto, each party shall pay its own respective expenses.

(f) Before any termination by the Placement Agent under Section 10(a) or 10(d) or by the Operating Company or the Issuer under Section 10(b) shall become effective, the terminating party shall give written notice to the other party of its intention to terminate the Offering, which shall set forth the specific grounds for the proposed termination (the "**Termination Notice**"). If the specified grounds for termination, or their resulting adverse effect on the transactions contemplated hereby, are curable, then the other party shall have ten (10) days from the Termination Notice within which to remove such grounds or to eliminate all of their material adverse effects on the transactions contemplated hereby; otherwise, the Offering shall terminate.

(g) Upon any termination pursuant to this Section 10, the applicable parties to this Agreement will instruct Escrow Agent to cause all monies received with respect to the subscriptions for Units not closed upon to be promptly returned to such subscribers without interest, penalty or deduction.

11. Survival.

(a) The obligations of the parties to pay any costs and expenses hereunder and to provide indemnification and contribution as provided herein shall survive any termination hereunder. In addition, the provisions of Sections 3(d), 3(e), 3(f), 3(g) and 8 through 16 shall survive the sale of the Units or any termination of the Offering hereunder.

(b) The respective indemnities, covenants, representations, warranties and other statements of the Issuer, the Operating Company and the Placement Agent set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of, and regardless of any access to information by, the Issuer, the Operating Company or the Placement Agent, or any of their officers or directors or any controlling person thereof, and will survive the sale of the Units or any termination of the Offering hereunder for a period of two (2) years from the earlier to occur of the Final Closing or the termination of the Offering.

12. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered personally, or the date mailed if mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like changes of address which shall be effective upon receipt) or sent by facsimile transmission, with confirmation received, if sent to the Placement Agent, will be mailed, delivered or telefaxed and confirmed to (i) Alliance Global Partners, 590 Madison Avenue, 36th floor, New York, New York 10022, Attention: David Bocchi, telefax number (212) 481-1206, and (ii) Aegis Capital Corp., 810 Seventh Ave, 11th Floor, New York, New York 10019, Attention: Adam K. Stern, telefax number (646) 390-9122, in either case with a copy (which shall not constitute notice) to: Littman Krooks LLP, 655 Third Avenue, 20th Floor, New York, NY 10017 Attention: Steven Uslaner, Esq., telefax number (212) 490-2990, if sent to the Operating Company, will be mailed, delivered or telefaxed and confirmed to Hydrofarm Investment Corp., 2249 S. McDowell Ext., Petaluma, CA 94954, Attn: Peter Wardenburg, CEO, with a copy (which shall not constitute notice) to: Zysman, Aharoni, Gayer and Sullivan & Worcester LLP, 1633 Broadway, 32nd Floor, New York, NY 10019 Attention: Oded Har-Even, Esq, telefax number (212) 660-3001 and Perkins Coie LLP, 1900 Sixteenth Street, Suite 1400, Denver, CO 80202 Attention: Sonny Allison, Esq. telefax number (303) 291-2414, and if sent to the Issuer, will be mailed, delivered or telefaxed and confirmed to Todd Van Emburgh, President, 6000 Collins Avenue, #105, Miami Beach, FL 33140, with a copy (which shall not constitute notice) to N.I. Jacobs & Associates, 355 Lexington Avenue, 6th Floor, New York, NY 10017, Attn: Neil Jacobs, Esq., telefax number (646) 219-3050: provided, however, that from and after the First Closing, notices to Issuer shall be sent in the same manner, and to the same address, as notices to the Operating Company, with a copy (which shall not constitute notice) to their counsel as noted above.

13. Governing Law, Jurisdiction. This Agreement shall be deemed to have been made and delivered in New York City and shall be governed as to validity, interpretation, construction, affect and in all other respects by the internal laws of the State of New York. **THE PARTIES AGREE THAT ANY DISPUTE, CLAIM OR CONTROVERSY DIRECTLY OR INDIRECTLY RELATING TO OR ARISING OUT OF THIS AGREEMENT, THE TERMINATION OR VALIDITY HEREOF, ANY ALLEGED BREACH OF THIS AGREEMENT OR THE ENGAGEMENT CONTEMPLATED HEREBY (ANY OF THE FOREGOING, A "CLAIM") SHALL BE SUBMITTED TO THE JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC ("JAMS"), OR ITS SUCCESSOR, IN NEW YORK, FOR FINAL AND BINDING ARBITRATION IN FRONT OF A PANEL OF THREE ARBITRATORS WITH JAMS IN NEW YORK, NEW YORK UNDER THE JAMS COMPREHENSIVE ARBITRATION RULES AND PROCEDURES (WITH EACH OF THE PLACEMENT AGENT AND THE ISSUER CHOOSING ONE ARBITRATOR, AND THE CHOSEN ARBITRATORS CHOOSING THE THIRD ARBITRATOR). THE ARBITRATORS SHALL, IN THEIR AWARD, ALLOCATE ALL OF THE COSTS OF THE ARBITRATION, INCLUDING THE FEES OF THE ARBITRATORS AND THE REASONABLE ATTORNEYS' FEES OF THE PREVAILING PARTY, AGAINST THE PARTY WHO DID NOT PREVAIL. THE AWARD IN THE ARBITRATION SHALL BE FINAL AND BINDING. THE ARBITRATION SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT, 9 U.S.C. SEC. 1-16, AND THE JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATORS MAY BE ENTERED BY ANY COURT HAVING JURISDICTION THEREOF. THE ISSUER AND THE PLACEMENT AGENT AGREE AND CONSENT TO PERSONAL JURISDICTION, SERVICE OF PROCESS AND VENUE IN ANY FEDERAL OR STATE COURT WITHIN THE STATE AND COUNTY OF NEW YORK IN CONNECTION WITH ANY ACTION BROUGHT TO ENFORCE AN AWARD IN ARBITRATION.**

14. Miscellaneous. No provision of this Agreement may be changed or terminated except by a writing signed by the party or parties to be charged therewith. Unless expressly so provided, no party to this Agreement will be liable for the performance of any other party's obligations hereunder. Either party hereto may waive compliance by the other with any of the terms, provisions and conditions set forth herein; *provided*, *however*, that any such waiver shall be in writing specifically setting forth those provisions waived thereby. No such waiver shall be deemed to constitute or imply waiver of any other term, provision or condition of this Agreement. Neither party may assign its rights or obligations under this Agreement to any other person or entity without the prior written consent of the other party.

15. Entire Agreement; Severability. This Agreement together with any other agreement referred to herein supersedes all prior understandings and written or oral agreements between the parties with respect to the Offering and the subject matter hereof. If any portion of this Agreement shall be held invalid or unenforceable, then so far as is reasonable and possible (i) the remainder of this Agreement shall be considered valid and enforceable and (ii) effect shall be given to the intent manifested by the portion held invalid or unenforceable.

16. Counterparts. This Agreement may be executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

*[Signatures on following page.]*

If the foregoing is in accordance with your understanding of the agreement among the Issuer, the Operating Company and the Placement Agent, kindly sign and return this Agreement, whereupon it will become a binding agreement among the Issuer, the Operating Company and the Placement Agent in accordance with its terms.

**HYDROFARM HOLDINGS GROUP, INC.**

By: /s/ Todd Van Emburgh
Name: Todd Van Emburgh
Title: President

**HYDROFARM INVESTMENT CORP.**

By: /s/ Michael Serruya
Name: Michael Serruya
Title: CEO

**As to Section 10(c) only:**

**HYDROFARM HOLDINGS, LLC**

By: /s/ Peter Wardenburg
Name: Peter Wardenburg
Title: Manager

Accepted and agreed to as of the date hereof:

**ALLIANCE GLOBAL PARTNERS**

By: /s/ Thomas T. Higgins
Name: Thomas T. Higgins
Title: Managing Director, Investment Banking

**AEGIS CAPITAL CORP.**

By: /s/ Adam K. Stern
Name: Adam K. Stern
Title: Head of Private Equity Banking

**SCHEDULE OF EXCEPTIONS**

This Schedule of Exceptions is made and given pursuant to Section 2 of the Placement Agency Agreement, dated as of August 3, 2018 (the "Agreement"), between the Issuer, the Operating Company, Hydrofarm Holdings LLC and the Placement Agents. All capitalized terms used but not defined herein shall have the meanings as defined in the Agreement, unless otherwise provided. The section numbers below correspond to the section numbers of the representations and warranties in the Agreement. Nothing in this Schedule of Exceptions is intended to broaden the scope of any representation or warranty contained in the Agreement or to create any covenant. Inclusion of any item in this Schedule of Exceptions (1) does not represent a determination that such item is material or establish a standard of materiality, (2) does not represent a determination that such item did not arise in the ordinary course of business, (3) does not represent a determination that the transactions contemplated by the Agreement require the consent of third parties, and (4) shall not constitute, or be deemed to be, an admission to any third party concerning such item. This Schedule of Exceptions includes brief descriptions or summaries of certain agreements and instruments, copies of which are available upon reasonable request.

**Schedule 2(c)**

Hydrofarm Holdings, LLC – Delaware
Hydrofarm, LLC – California
EHH Holdings, LLC – Delaware
Eltac XXI S.L – Spain (EHH Holdings, LLC hold 90.93% of the ownership in this entity)
WJCO, LLC – Colorado
Shenzhen Representative Office of Hydrofarm Inc. (USA) – China
SunBlaster, LLC – Delaware
SunBlaster Holdings ULC – British Columbia, Canada
Hydrofarm Canada, LLC – Delaware
GS Distribution Inc. – British Columbia, Canada
Eddi's Wholesale Garden Supplies Inc. – British Columbia, Canada

**Schedule 2(e)**

(iii) Unless the consent of the financial institutions referenced below are obtained (which is a condition to the closing of the transactions contemplated in the Agreement), the following agreements would be in default based on the consummation of the transactions contemplated by the Agreement:

1. Amended and Restated Loan and Security Agreement, dated as of November 8, 2017, among Hydrofarm Holdings LLC,, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster LLC, GS Distribution Inc., Sunblaster Holdings ULC, EWGS Distribution Inc. (to be succeeded by Eddi's Wholesale Garden Supplies Ltd.), the other parties from time to time signatory thereto as Obligors, the financial institutions party thereto from time to time as lenders, and Bank of America, N.A.

2. Forbearance Agreement and First Amendment to Amended and Restated Loan and Security Agreement, dated as of May 8, 2018, among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO LLC, Hydrofarm Canada, LLC, GS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., Sunblaster Holdings ULC, Bank of America, N.A. and the Lenders party thereto.

3. First Amendment to Forbearance Agreement and Second Amendment to Amended and Restated Loan and Security Agreement, dated as of July 16, 2018, among Hydrofarm Holdings LLC, Hydrofarm, LLC, EHH Holdings, LLC, SunBlaster LLC, WJCO LLC, Hydrofarm Canada, LLC, GS Distribution Inc., Eddi's Wholesale Garden Supplies Ltd., Sunblaster Holdings ULC, Bank of America, N.A. and the Lenders party thereto.

4. Credit Agreement, dated as of May 12, 2017, among Hydrofarm Holdings LLC (to be succeeded as a borrower by Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC and SunBlaster, LLC), the other Loan Parties party thereto, the Lenders parties thereto, and Brightwood Loan Services LLC, as amended by Amendment No. 1 dated September 21, 2017 and Amendment No. 2 dated November 8, 2017.

5. Forbearance Agreement and Amendment to Credit Agreement, dated as of May 18, 2018, among Hydrofarm Holdings LLC, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster, LLC, Hydrofarm Canada, LLC, the lenders party to the credit agreement referred to therein that are signatories thereto, and Brightwood Loan Services LLC.

6. Amendment No. 1 to Forbearance Agreement, dated as of July 16, 2018, among Hydrofarm Holdings LLC, Hydrofarm, LLC, WJCO LLC, EHH Holdings, LLC, SunBlaster, LLC, Hydrofarm Canada, LLC, the lenders party to the credit agreement referred to therein that are signatories thereto, and Brightwood Loan Services LLC.

**Schedule 2(g)**

None.

**Schedule 2(h)**

None.

**Schedule 2(i)**

None.

**Schedule 2(k)**

None.

**Schedule 2(n)**

None.

**Schedule 2(o)**

None.

**Schedule 2(r)**

None.

**Schedule 2(t)**

Peter Wardenburg has an ownership interest in the building located at 1470 Cader Lane, Petaluma, California for which Hydrofarm, LLC is party to a sublease. Further details on the foregoing are set forth in the Memorandum under *CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS - Lease Agreement.*

**Schedule 2(w)**

None.

**Schedule 2A(H)**

None.

**Exhibit A-1**

**Form of Opinion-Operating Company Counsel**[1]

**Opinions**

1. Based solely on the Good Standing Certificate, Hydrofarm Investment Corp. (the "Operating Company") is a corporation validly existing in good standing under Delaware law. Based solely on the Foreign Qualification Certificates, the Operating Company is [qualified] [registered] to transact business as a foreign corporation in the states of [•].

2. The authorized capital stock of the Operating Company immediately prior to the Closing is as follows: [100,000,000] shares of Common Stock.

3. The Operating Company has the corporate power and authority to execute and deliver, and perform all of its obligations under, the Placement Agency Agreement and to conduct its business and own its properties as described in the Memorandum.

4. The Placement Agency Agreement has been duly authorized by all necessary corporate action on the part of the Operating Company, and has been duly executed and delivered by the Operating Company.

5. The Operating Company's execution and delivery of the Placement Agency Agreement and performance of its obligations thereunder do not: (a) violate statutory laws that counsel exercising customary professional judgment would in our experience reasonably recognize as typically applicable to agreements similar to the Placement Agency Agreement and transactions similar to the Transactions; (b) violate the Certificate of Incorporation or the Bylaws; (c) breach or result in a default under any Material Agreement (as defined below); or (d) breach or violate any court order listed on Exhibit B hereto (the "Material Court Orders"). "Material Agreement" means any agreement to which the Operating Company is party or bound that is listed on Schedule [1] hereto, which list was provided by the Operating Company in response to our request for a list of the Operating Company's agreements material to this opinion. "Material Court Order" means any order or decree of any court, arbitrator or governmental agency that is binding upon the Operating Company or its property listed on Schedule [2] hereto, which list was provided by the Operating Company in response to our request for a list of all material court orders binding on the Operating Company or its property.

6. All consents, approvals, authorizations or other orders of, or registrations and qualifications or filings on the part of the Operating Company with any United States federal or state governmental or regulatory authority required for the issuance of Securities have been made or obtained, except for those that may be required under applicable federal and state securities laws and regulations, or under the bylaws, rules and regulations of the Financial Industry Regulatory Authority ("FINRA"), as to which we offer no opinion.

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1 NTD: subject to opinion committee review.

7. Based in part upon the Operating Company's, the Issuer's, the Investors and your representations and warranties in, and on the facts and circumstances contemplated by, the Placement Agency Agreement and the Subscription Agreement, as applicable, the offer and sale and issuance of the Securities by the Operating Company to you and the Investors pursuant to the terms of the Placement Agency Agreement, and the issuance of the Common Stock, if any, to be issued upon conversion thereof, do not require registration under Section 5 of the Securities Act or qualification under state "blue sky" laws and regulations.[2]

**Confirmations**

1. In addition, we confirm to you that we are not representing the Operating Company in any litigation that is pending that seeks to enjoin the Transaction or challenge the performance by the Operating Company of its obligations under the Placement Agency Agreement.

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2 NTD: only for subsequent closings following the First Closing and the Merger.

**Exhibit A-2**

**Form of Opinion - Issuer Counsel (First Closing)**

2.1 Based solely upon our review of the Issuer Organizational Documents, the Issuer is duly organized as a corporation and is validly existing and in good standing under the laws of the State of Delaware as of the date of the Delaware Certificate.

2.2 Based solely upon our review of the Certificate of Incorporation, the authorized capital stock of the Issuer on the date hereof consists of _____ shares of common stock, $____ par value per share, and _____ shares of preferred stock, $0____ par value per share.

2.3 The issuance of the Common Stock and Investor Warrants constituting the Units being sold in the Offering (collectively, the "Offering Securities"), the Agent Warrants, and the shares of Common Stock issuable upon exercise of the Investor Warrants and the Agent Warrants have been duly authorized by all necessary corporate action on the part of the Company. The Offering Securities and the shares of Common Stock issuable upon exercise of the Investor Warrants and the Agent Warrants when issued, sold and delivered against payment therefore in accordance with the provisions of the Memorandum, the Subscription Agreements, the Investor Warrants or the Agent Warrants, as applicable, will be duly and validly issued, fully paid and non-assessable. The issuance of the Offering Securities and the Agent Warrants and the shares of Common Stock issuable upon exercise of the Investor Warrants and Agent Warrants are not subject to any statutory or, to our knowledge, contractual or other preemptive rights under any agreement. A sufficient number of authorized but unissued shares of Common Stock have been reserved for issuance upon exercise of the Investor Warrants and Agent Warrants.

2.4 The execution and delivery by the Issuer of the Transaction Documents to which they are a party and the consummation by the Issuer of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Issuer, and duly executed and delivered by the Issuer, as applicable. Each of the Transaction Documents to which it is a party constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

2.5 The execution and delivery by the Issuer of the Transaction Documents[3] to which it is a party and the consummation by the Issuer of the transactions contemplated thereby will not (i) violate the provisions of the Delaware General Corporation Law or any United States federal or state law, rule or regulation known to us to be currently applicable to the Issuer, (ii) violate the provisions of the Issuer's Certificate of Incorporation or By-Laws; (iii) violate any judgment, decree, order or award known to us of any court, governmental body or arbitrator having jurisdiction over the Issuer; or (iv) result in the breach or termination of any material term or provision of an agreement known to us to which the Issuer is a party, except in the case of clauses (iii) or (iv) where the breach or violation would not have a Material Adverse Effect on the Issuer or its ability to perform its obligations under the Transaction Documents.

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3 Transaction Documents include the Placement Agency Agreement, Escrow Deposit Agreement, Registration Rights Agreement, Investor Warrants, Placement Agent Warrants, and Subscription Agreements.

2.6 To our knowledge, there is no action, proceeding or litigation pending or threatened against the Issuer before any court, governmental or administrative agency or body that would materially adversely affect the Issuer's ability to consummate the transactions contemplated by the Transaction Documents.

2.7 The execution and delivery by the Issuer of, and the performance by the Issuer of its obligations under, the Transaction Documents do not require the Issuer to obtain any approval by or make any filing with any governmental authority under the General Corporation Law of the State of Delaware or any statute, rule or regulation of the State of Delaware or of the federal law of the United States of America, other than approvals and filings previously obtained or made and that are in full force and effect as of the date hereof.

2.8 The offer and sale of the Offering Securities in the Offering pursuant to, and in accordance with, the Subscription Agreements do not require registration under the Securities Act of 1933, as amended ("1933 Act") and assuming that the Offering Securities were sold only to "accredited investors" (as defined in Rule 501 of Regulation D promulgated under the 1933 Act) and the Placement Agent complied in all material respects with Rule 506(b) of Regulation D and the terms and conditions of the Offering set forth in the Placement Agency Agreement and the Memorandum, such sales were made in conformity in all material respects with the requirements of Section 4(a)(2) of the 1933 Act and Rule 506(b) of Regulation D.

**Exhibit 16.1**

November 12, 2020
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by Hydrofarm Holdings Group, Inc. pursuant to Item 304(a)(1) of Regulation S-K, which we understand will be filed with the Securities and Exchange Commission, as part of the Registration Statement on Form S-1 of Hydrofarm Holdings Group, Inc. dated November 12, 2020. We agree with the statements concerning our Firm contained therein except that we are not in a position to agree or disagree with Hydrofarm Holdings Group, Inc.'s stated reason for the change.

MNP LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**
**November 12, 2020**
**Toronto, Canada**

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**Exhibit 23.1**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of our report dated August 14, 2020, relating to the financial statements of Hydrofarm Holdings Group, Inc. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ Deloitte & Touche LLP

San Francisco, California

November 12, 2020

**Exhibit 23.2**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent the use of our auditor's report dated May 10, 2019 with respect to the consolidated financial statements of Hydrofarm Holdings Group, Inc. (the "Company") as at December 31, 2018 and for the year then ended, included in the Registration Statement on Form S-1 of the Company dated November 12, 2020, as filed with the United States Securities Exchange Commission.

We also consent to the reference to us under the caption "Experts" in the Prospectus constituting part of this Registration Statement.

MNP LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**
**November 12, 2020**
**Toronto, Canada**

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